These financial statements for Restaurant Brands International Inc. are also included in the Form 10-K for the year ended December 31, 2022 filed on SEDAR on February 22, 2023 in its entirety. All references to USD or $ are to United States dollars, and all references to C$ are to Canadian dollars.

Item 8. *Financial Statements and Supplementary Data*

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control Over Financial Reporting

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements, related notes and other information included in this annual report. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include certain amounts based on management's estimates and assumptions. Other financial information presented in the annual report is derived from the consolidated financial statements.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management determined that the Company's internal control over financial reporting was effective as of December 31, 2022.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in its report which is included herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Restaurant Brands International Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Restaurant Brands International Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Gross unrecognized tax benefits

As discussed in Notes 2 and 11 to the consolidated financial statements, the Company records a liability for unrecognized tax benefits associated with uncertain tax positions. The Company recognizes tax benefits from tax positions only if there is more than a 50% likelihood that the tax positions will be sustained upon examination by the taxing authorities, based on the technical merits of the positions. As of December 31, 2022, the Company has recorded gross unrecognized tax benefits, excluding associated interest and penalties, of $139 million.

We identified the assessment of gross unrecognized tax benefits resulting from certain tax planning strategies implemented during the year as a critical audit matter. Identifying and determining uncertain tax positions arising from implementing tax planning strategies involved a number of judgments and assumptions, which included complex considerations of tax law. As a result, subjective and complex auditor judgment, including the involvement of tax professionals with specialized skills and knowledge, was required to evaluate the Company’s interpretation of tax law and its determination of which tax positions have more than a 50% likelihood of being sustained upon examination.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company’s gross unrecognized tax benefits process, including controls related to 1) interpreting tax law, 2) identifying significant uncertain tax positions arising from tax planning strategies that were implemented during the year, 3) evaluating the tax consequences of the related strategies, and 4) evaluating which of the Company’s tax positions may not be sustained upon examination. In addition, we involved tax professionals with specialized skills and knowledge, who assisted in:

- obtaining an understanding of the Company’s tax planning strategies
- evaluating the Company’s interpretation of the relevant tax laws by developing an independent assessment
- evaluating the Company’s identification of uncertain tax positions to assess the tax consequences of these related tax positions
- performing an independent assessment of the Company’s tax positions and comparing our assessment to the Company’s assessment.

(signed) KPMG LLP

We have served as the Company's auditor since 1989.

Miami, Florida
February 22, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Restaurant Brands International Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Restaurant Brands International Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated February 22, 2023 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(signed) KPMG LLP

Miami, Florida
February 22, 2023

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In millions of U.S. dollars, except share data)

	As of December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,178	$ 1,087
Accounts and notes receivable, net of allowance of $36 and $18, respectively	614	547
Inventories, net	133	96
Prepaids and other current assets	123	86
Total current assets	2,048	1,816
Property and equipment, net of accumulated depreciation and amortization of $1,061 and $979, respectively	1,950	2,035
Operating lease assets, net	1,082	1,130
Intangible assets, net	10,991	11,417
Goodwill	5,688	6,006
Net investment in property leased to franchisees	82	80
Other assets, net	905	762
Total assets	$ 22,746	$ 23,246
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts and drafts payable	$ 758	$ 614
Other accrued liabilities	1,001	947
Gift card liability	230	221
Current portion of long-term debt and finance leases	127	96
Total current liabilities	2,116	1,878
Long-term debt, net of current portion	12,839	12,916
Finance leases, net of current portion	311	333
Operating lease liabilities, net of current portion	1,027	1,070
Other liabilities, net	872	1,822
Deferred income taxes, net	1,313	1,374
Total liabilities	18,478	19,393
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Common shares, no par value; Unlimited shares authorized at December 31, 2022 and December 31, 2021; 307,142,436 shares issued and outstanding at December 31, 2022; 309,025,068 shares issued and outstanding at December 31, 2021	2,057	2,156
Retained earnings	1,121	791
Accumulated other comprehensive income (loss)	(679)	(710)
Total Restaurant Brands International Inc. shareholders' equity	2,499	2,237
Noncontrolling interests	1,769	1,616
Total shareholders' equity	4,268	3,853
Total liabilities and shareholders' equity	$ 22,746	$ 23,246

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

By: /s/ J. Patrick Doyle
J. Patrick Doyle, Executive Chairman

By: /s/ Ali Hedayat
Ali Hedayat, Director

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In millions of U.S. dollars, except per share data)

	2022	2021	2020
Revenues:			
Sales	$ 2,819	$ 2,378	$ 2,013
Franchise and property revenues	2,661	2,443	2,121
Advertising revenues and other services	1,025	918	834
Total revenues	6,505	5,739	4,968
Operating costs and expenses:			
Cost of sales	2,312	1,890	1,610
Franchise and property expenses	518	489	515
Advertising expenses and other services	1,077	986	870
General and administrative expenses	631	484	407
(Income) loss from equity method investments	44	4	39
Other operating expenses (income), net	25	7	105
Total operating costs and expenses	4,607	3,860	3,546
Income from operations	1,898	1,879	1,422
Interest expense, net	533	505	508
Loss on early extinguishment of debt	—	11	98
Income before income taxes	1,365	1,363	816
Income tax (benefit) expense	(117)	110	66
Net income	1,482	1,253	750
Net income attributable to noncontrolling interests (Note 13)	474	415	264
Net income attributable to common shareholders	$ 1,008	$ 838	$ 486
Earnings per common share:			
Basic	$ 3.28	$ 2.71	$ 1.61
Diluted	$ 3.25	$ 2.69	$ 1.60
Weighted average shares outstanding (in millions):			
Basic	307	310	302
Diluted	455	464	468

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(In millions of U.S. dollars)

	2022	2021	2020
Net income	$ 1,482	$ 1,253	$ 750
Foreign currency translation adjustment	(703)	(67)	332
Net change in fair value of net investment hedges, net of tax of $(77), $15, and $60	332	111	(242)
Net change in fair value of cash flow hedges, net of tax of $(141), $(36), and $91	382	96	(244)
Amounts reclassified to earnings of cash flow hedges, net of tax of $(12), $(36), and $(27)	34	96	73
Gain (loss) recognized on defined benefit pension plans and other items, net of tax of $(2), $(3), and $3	6	15	(16)
Other comprehensive income (loss)	51	251	(97)
Comprehensive income (loss)	1,533	1,504	653
Comprehensive income (loss) attributable to noncontrolling interests	490	499	224
Comprehensive income (loss) attributable to common shareholders	$ 1,043	$ 1,005	$ 429

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(In millions of U.S. dollars, except shares)

	Issued Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount				
Balances at December 31, 2019	298,281,081	$ 2,478	$ 775	$ (763)	$ 1,769	$ 4,259
Stock option exercises	2,447,627	82	—	—	—	82
Share-based compensation	—	74	—	—	—	74
Issuance of shares	469,145	6	—	—	—	6
Dividends declared on common shares ($2.08 per share)	—	—	(631)	—	—	(631)
Dividend equivalents declared on restricted stock units	—	8	(8)	—	—	—
Distributions declared by Partnership on partnership exchangeable units ($2.08 per unit)	—	—	—	—	(336)	(336)
Repurchase of Partnership exchangeable units	—	(293)	—	(22)	(65)	(380)
Exchange of Partnership exchangeable units for RBI common shares	3,636,169	48	—	(12)	(36)	—
Other	(115,273)	(4)	—	—	—	(4)
Restaurant VIE contributions (distributions)	—	—	—	—	(2)	(2)
Net income	—	—	486	—	264	750
Other comprehensive income (loss)	—	—	—	(57)	(40)	(97)
Balances at December 31, 2020	304,718,749	$ 2,399	$ 622	$ (854)	$ 1,554	$ 3,721
Stock option exercises	1,594,146	60	—	—	—	60
Share-based compensation	—	88	—	—	—	88
Issuance of shares	1,839,941	12	—	—	—	12
Dividends declared on common shares ($2.12 per share)	—	—	(658)	—	—	(658)
Dividend equivalents declared on restricted stock units	—	11	(11)	—	—	—
Distributions declared by Partnership on partnership exchangeable units ($2.12 per units)	—	—	—	—	(318)	(318)
Repurchase of RBI common shares	(9,247,648)	(551)	—	—	—	(551)
Exchange of Partnership exchangeable units for RBI common shares	10,119,880	137	—	(23)	(114)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(5)	(5)
Net income	—	—	838	—	415	1,253
Other comprehensive income (loss)	—	—	—	167	84	251
Balances at December 31, 2021	309,025,068	$ 2,156	$ 791	$ (710)	$ 1,616	$ 3,853
Stock option exercises	483,980	21	—	—	—	21
Share-based compensation	—	121	—	—	—	121
Issuance of shares	1,737,934	43	—	—	—	43
Dividends declared on common shares ($2.16 per share)	—	—	(664)	—	—	(664)
Dividend equivalents declared on restricted stock units	—	14	(14)	—	—	—
Distributions declared by Partnership on partnership exchangeable units ($2.16 per unit)	—	—	—	—	(309)	(309)
Repurchase of RBI common shares	(6,101,364)	(326)	—	—	—	(326)
Exchange of Partnership exchangeable units for RBI common shares	1,996,818	28	—	(4)	(24)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(4)	(4)
Net income	—	—	1,008	—	474	1,482
Other comprehensive income (loss)	—	—	—	35	16	51
Balances at December 31, 2022	307,142,436	$ 2,057	$ 1,121	$ (679)	$ 1,769	$ 4,268

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	2022	2021	2020
Cash flows from operating activities:			
Net income	$ 1,482	$ 1,253	$ 750
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	190	201	189
Premiums paid and non-cash loss on early extinguishment of debt	—	11	97
Amortization of deferred financing costs and debt issuance discount	28	27	26
(Income) loss from equity method investments	44	4	39
Loss (gain) on remeasurement of foreign denominated transactions	(4)	(76)	100
Net (gains) losses on derivatives	(9)	87	32
Share-based compensation and non-cash incentive compensation expense	136	102	84
Deferred income taxes	(60)	(5)	(208)
Other	19	(16)	28
Changes in current assets and liabilities, excluding acquisitions and dispositions:			
Accounts and notes receivable	(110)	8	(30)
Inventories and prepaids and other current assets	(61)	12	(10)
Accounts and drafts payable	169	149	(183)
Other accrued liabilities and gift card liability	37	67	6
Tenant inducements paid to franchisees	(26)	(20)	(22)
Other long-term assets and liabilities	(345)	(78)	23
Net cash provided by operating activities	1,490	1,726	921
Cash flows from investing activities:			
Payments for property and equipment	(100)	(106)	(117)
Net proceeds from disposal of assets, restaurant closures and refranchisings	12	16	12
Net payment for purchase of Firehouse Subs, net of cash acquired	(12)	(1,004)	—
Settlement/sale of derivatives, net	71	5	33
Other investing activities, net	(35)	(14)	(7)
Net cash used for investing activities	(64)	(1,103)	(79)
Cash flows from financing activities:			
Proceeds from revolving line of credit and long-term debt	2	1,335	5,235
Repayments of revolving line of credit, long-term debt and finance leases	(94)	(889)	(4,708)
Payment of financing costs	—	(19)	(43)
Payment of dividends on common shares and distributions on Partnership exchangeable units	(971)	(974)	(959)
Repurchase of Partnership exchangeable units	—	—	(380)
Repurchase of common shares	(326)	(551)	—
Proceeds from stock option exercises	21	60	82
Proceeds from issuance of common shares	30	—	—
(Payments) proceeds from derivatives	34	(51)	(46)
Other financing activities, net	(3)	(4)	(2)
Net cash used for financing activities	(1,307)	(1,093)	(821)
Effect of exchange rates on cash and cash equivalents	(28)	(3)	6
Increase (decrease) in cash and cash equivalents	91	(473)	27
Cash and cash equivalents at beginning of period	1,087	1,560	1,533
Cash and cash equivalents at end of period	$ 1,178	$ 1,087	$ 1,560
Supplemental cash flow disclosures:			
Interest paid	$ 487	$ 404	$ 463
Income taxes paid, net	$ 275	$ 256	$ 267

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Description of Business and Organization

Description of Business

Restaurant Brands International Inc. (the "Company," "RBI," "we," "us" or "our") is a Canadian corporation that serves as the sole general partner of Restaurant Brands International Limited Partnership (the "Partnership"). On December 15, 2021 we acquired FRG, LLC ("Firehouse Subs"). We franchise and operate quick service restaurants serving premium coffee and other beverage and food products under the *Tim Hortons*® brand ("Tim Hortons" or "TH"), fast food hamburgers principally under the *Burger King*® brand ("Burger King" or "BK"), chicken under the *Popeyes*® brand ("Popeyes" or "PLK") and sandwiches under the *Firehouse Subs*® brand ("Firehouse" or "FHS"). We are one of the world's largest quick service restaurant, or QSR, companies as measured by total number of restaurants. As of December 31, 2022, we franchised or owned 5,600 Tim Hortons restaurants, 19,789 Burger King restaurants, 4,091 Popeyes restaurants, and 1,242 Firehouse restaurants, for a total of 30,722 restaurants, and operate in more than 100 countries. Approximately 100% of current system-wide restaurants are franchised.

All references to "$" or "dollars" are to the currency of the United States unless otherwise indicated. All references to "Canadian dollars" or "C$" are to the currency of Canada unless otherwise indicated.

Note 2. Significant Accounting Policies

Fiscal Year

We operate on a monthly calendar, with a fiscal year that ends on December 31.

Basis of Presentation

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") and related rules and regulations of the U.S. Securities and Exchange Commission requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Principles of Consolidation

The consolidated financial statements (the "Financial Statements") include our accounts and the accounts of entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. We also consolidate marketing funds we control. All material intercompany balances and transactions have been eliminated in consolidation. Investments in other affiliates that are owned 50% or less where we have significant influence are accounted for by the equity method.

We are the sole general partner of Partnership and, as such we have the exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Partnership, subject to the terms of the partnership agreement of Partnership ("partnership agreement") and applicable laws. As a result, we consolidate the results of Partnership and record a noncontrolling interest in our consolidated balance sheets and statements of operations with respect to the remaining economic interest in Partnership we do not hold.

We also consider for consolidation entities in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity ("VIE"), is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it. Our maximum exposure to loss resulting from involvement with VIEs is attributable to accounts and notes receivable balances, investment balances, outstanding loan guarantees and future lease payments, where applicable.

As our franchise and master franchise arrangements provide the franchise and master franchise entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might be a VIE.

Tim Hortons has historically entered into certain arrangements in which an operator acquires the right to operate a restaurant, but Tim Hortons owns the restaurant's assets. In these arrangements, Tim Hortons has the ability to determine which operators manage the restaurants and for what duration. We perform an analysis to determine if the legal entity in which operations are conducted is a VIE and consolidate a VIE entity if we also determine Tim Hortons is the entity's primary beneficiary ("Restaurant VIEs"). As of December 31, 2022 and 2021, we determined that we are the primary beneficiary of 41 and 46 Restaurant VIEs, respectively, and accordingly, have consolidated the results of operations, assets and liabilities, and cash flows of these Restaurant VIEs in our Financial Statements.

Assets and liabilities related to consolidated VIEs are not significant to our total consolidated assets and liabilities. Liabilities recognized as a result of consolidating these VIEs do not necessarily represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims by our creditors as they are not legally included within our general assets.

Reclassifications

Certain prior year amounts in the accompanying consolidated financial statements and notes to the consolidated financial statements have been reclassified in order to be comparable with the current year classifications. These consist of the 2021 reclassification of $9 million of technology fee revenues from Franchise and property revenues to Advertising revenues and other services and $24 million of technology expenses from General and administrative expenses to Advertising expenses and other services. These reclassifications did not arise as a result of any changes to accounting policies and relate entirely to presentation with no effect on previously reported net income.

Foreign Currency Translation and Transaction Gains and Losses

Our functional currency is the U.S. dollar, since our term loans and senior secured notes are denominated in U.S. dollars, and the principal market for our common shares is the U.S. The functional currency of each of our operating subsidiaries is generally the currency of the economic environment in which the subsidiary primarily does business. Our foreign subsidiaries' financial statements are translated into U.S. dollars using the foreign exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated using the end-of-period spot foreign exchange rates. Income, expenses and cash flows are translated at the average foreign exchange rates for each period. Equity accounts are translated at historical foreign exchange rates. The effects of these translation adjustments are reported as a component of accumulated other comprehensive income (loss) ("AOCI") in the consolidated statements of shareholders' equity.

For any transaction that is denominated in a currency different from the entity's functional currency, we record a gain or loss based on the difference between the foreign exchange rate at the transaction date and the foreign exchange rate at the transaction settlement date (or rate at period end, if unsettled) which is included within other operating expenses (income), net in the consolidated statements of operations.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less and credit card receivables are considered cash equivalents.

Accounts and Notes Receivable, net

Our credit loss exposure is mainly concentrated in our accounts and notes receivable portfolio, which consists primarily of amounts due from franchisees, including royalties, rents, franchise fees, contributions due to advertising funds we manage and, in the case of our TH segment, amounts due for supply chain sales. Accounts and notes receivable are reported net of an allowance for expected credit losses over the estimated life of the receivable. Credit losses are estimated based on aging, historical collection experience, financial position of the franchisee and other factors, including those related to current economic conditions and reasonable and supportable forecasts of future conditions.

Bad debt expense recognized for expected credit losses is classified in our consolidated statement of operations as Cost of sales, Franchise and property expenses or Advertising expenses and other services, based on the nature of the underlying receivable. Net bad debt expense (recoveries) totaled $19 million in 2022, $(9) million in 2021 and $33 million in 2020.

Inventories

Inventories are carried at the lower of cost or net realizable value and consist primarily of raw materials such as green coffee beans and finished goods such as new equipment, parts, paper supplies and restaurant food items. The moving average method is used to determine the cost of raw materials and finished goods inventories held for sale to Tim Hortons franchisees.

Property and Equipment, net

We record property and equipment at historical cost less accumulated depreciation and amortization, which is recognized using the straight-line method over the following estimated useful lives: (i) buildings and improvements – up to 40 years; (ii) restaurant equipment – up to 17 years; (iii) furniture, fixtures and other – up to 10 years; and (iv) manufacturing equipment – up to 25 years. Leasehold improvements to properties where we are the lessee are amortized over the lesser of the remaining term of the lease or the estimated useful life of the improvement.

Major improvements are capitalized, while maintenance and repairs are expensed when incurred.

Capitalized Software and Cloud Computing Costs

We record capitalized software at historical cost less accumulated amortization, which is recognized using the straight-line method. Amortization expense is based on the estimated useful life of the software, which is primarily up to five years, once the asset is available for its intended use.

Implementation costs incurred in connection with Cloud Computing Arrangements ("CCA") are capitalized consistently with costs capitalized for internal-use software. Capitalized CCA implementation costs are included in "Other assets" in the consolidated balance sheets and are amortized over the term of the related hosting agreement, including renewal periods that are reasonably certain to be exercised. Amortization expense of CCA implementation costs is classified as "General and administrative expenses" in the consolidated statements of operations.

Leases

In all leases, whether we are the lessor or lessee, we define lease term as the noncancellable term of the lease plus any renewals covered by renewal options that are reasonably certain of exercise based on our assessment of the economic factors relevant to the lessee. The noncancellable term of the lease commences on the date the lessor makes the underlying property in the lease available to the lessee, irrespective of when lease payments begin under the contract.

Lessor Accounting

We recognize lease payments for operating leases as property revenue on a straight-line basis over the lease term, and property revenue is presented net of any related sales tax. Lease incentive payments we make to lessees are amortized as a reduction in property revenue over the lease term. We account for reimbursements of maintenance and property tax costs paid to us by lessees as property revenue.

We also have net investments in properties leased to franchisees, which meet the criteria of sales-type leases or met the criteria of direct financing leases under the previous accounting guidance. Investments in sales-type leases and direct financing leases are recorded on a net basis. Profit on sales-type leases is recognized at lease commencement and recorded in other operating expenses (income), net. Unearned income on direct financing leases is deferred, included in the net investment in the lease, and recognized over the lease term yielding a constant periodic rate of return on the net investment in the lease.

We recognize variable lease payment income in the period when changes in facts and circumstances on which the variable lease payments are based occur.

Lessee Accounting

In leases where we are the lessee, we recognize a right-of-use ("ROU") asset and lease liability at lease commencement, which are measured by discounting lease payments using our incremental borrowing rate as the discount rate. We determine the incremental borrowing rate applicable to each lease by reference to our outstanding secured borrowings and implied spreads over the risk-free discount rates that correspond to the term of each lease, as adjusted for the currency of the lease. Subsequent amortization of the ROU asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. Reductions of the ROU asset and the change in the lease liability are included in changes in Other long-term assets and liabilities in the Consolidated Statement of Cash Flows.

A finance lease ROU asset is depreciated on a straight-line basis over the lesser of the useful life of the leased asset or lease term. Interest on each finance lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. Operating lease and finance lease ROU assets are assessed for impairment in accordance with our long-lived asset impairment policy.

We reassess lease classification and remeasure ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate contract or upon certain other events that require reassessment. Maintenance and property tax expenses are accounted for on an accrual basis as variable lease cost.

We recognize variable lease cost in the period when changes in facts and circumstances on which the variable lease payments are based occur.

Goodwill and Intangible Assets Not Subject to Amortization

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in connection with the acquisition of Firehouse Subs in 2021, the acquisition of Popeyes in 2017, the acquisition of Tim Hortons in 2014 and the acquisition of Burger King Holdings, Inc. by 3G Capital Partners Ltd. in 2010. Our indefinite-lived intangible assets consist of the *Tim Hortons* brand, the *Burger King* brand, the *Popeyes* brand and the *Firehouse Subs* brand (each a "Brand" and together, the "Brands"). Goodwill and the Brands are tested for impairment at least annually as of October 1 of each year and more often if an event occurs or circumstances change which indicate impairment might exist. Our annual impairment tests of goodwill and the Brands may be completed through qualitative assessments. We may elect to bypass the qualitative assessment and proceed directly to a quantitative impairment test for any reporting unit or Brand in any period. We can resume the qualitative assessment for any reporting unit or Brand in any subsequent period.

Under a qualitative approach, our impairment review for goodwill consists of an assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying amount. If we elect to bypass the qualitative assessment for any reporting unit, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of a reporting unit exceeds its fair value, we perform a quantitative goodwill impairment test that requires us to estimate the fair value of the reporting unit. If the fair value of the reporting unit is less than its carrying amount, we will measure any goodwill impairment loss as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Under a qualitative approach, our impairment review for the Brands consists of an assessment of whether it is more-likely-than-not that a Brand's fair value is less than its carrying amount. If we elect to bypass the qualitative assessment for a Brand, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of a Brand exceeds its fair value, we estimate the fair value of the Brand and compare it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess.

We completed our impairment tests for goodwill and the Brands as of October 1, 2022, 2021 and 2020 and no impairment resulted.

Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets subject to amortization and lease right-of-use assets, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. Some of the events or changes in circumstances that would trigger an impairment review include, but are not limited to, bankruptcy proceedings or other significant financial distress of a lessee; significant negative industry or economic trends; knowledge of transactions involving the sale of similar property at amounts below the carrying value; or our expectation to dispose of long-lived assets before the end of their estimated useful lives. The impairment test for long-lived assets requires us to assess the recoverability of long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from use and eventual disposition of the assets or asset group. Long-lived assets are grouped for recognition and measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. If the net carrying value of a group of long-lived assets exceeds the sum of related undiscounted estimated future cash flows, we record an impairment charge equal to the excess, if any, of the net carrying value over fair value.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) ("OCI") refers to revenues, expenses, gains and losses that are included in comprehensive income (loss), but are excluded from net income (loss) as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. Our other comprehensive income (loss) is primarily comprised of unrealized gains and losses on foreign currency translation adjustments and unrealized gains and losses on hedging activity, net of tax.

Derivative Financial Instruments

We recognize and measure all derivative instruments as either assets or liabilities at fair value in the consolidated balance sheets. Derivative instruments accounted for as net investments hedges are classified as long term assets and liabilities in the consolidated balance sheets. We may enter into derivatives that are not designated as hedging instruments for accounting purposes, but which largely offset the economic impact of certain transactions.

Gains or losses resulting from changes in the fair value of derivatives are recognized in earnings or recorded in other comprehensive income (loss) and recognized in the consolidated statements of operations when the hedged item affects earnings, depending on the purpose of the derivatives and whether they qualify for, and we have applied, hedge accounting treatment.

When applying hedge accounting, we designate at a derivative's inception, the specific assets, liabilities or future commitments being hedged, and assess the hedge's effectiveness at inception and on an ongoing basis. We discontinue hedge accounting when: (i) we determine that the cash flow derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires or is sold, terminated or exercised; (iii) it is no longer probable that the forecasted transaction will occur; or (iv) management determines that designation of the derivatives as a hedge instrument is no longer appropriate. We do not enter into or hold derivatives for speculative purposes.

Disclosures about Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). The fair value is based on assumptions that market participants would use when pricing the asset or liability. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation, as follows:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The carrying amounts for cash and cash equivalents, accounts and notes receivable and accounts and drafts payable approximate fair value based on the short-term nature of these amounts.

We carry all of our derivatives at fair value and value them using various pricing models or discounted cash flow analysis that incorporate observable market parameters, such as interest rate yield curves and currency rates, which are Level 2 inputs. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or us. For disclosures about the fair value measurements of our derivative instruments, see Note 12, *Derivative Instruments*.

The following table presents the fair value of our variable rate term debt and senior notes, estimated using inputs based on bid and offer prices that are Level 2 inputs, and principal carrying amount (in millions):

	As of December 31,	
	2022	2021
Fair value of our variable term debt and senior notes	$ 11,885	$ 12,851
Principal carrying amount of our variable term debt and senior notes	12,890	12,943

The determinations of fair values of certain tangible and intangible assets for purposes of the application of the acquisition method of accounting to the acquisition of Firehouse Subs were based on Level 3 inputs. The determination of fair values of our reporting units and the determination of the fair value of the Brands for impairment testing using a quantitative approach during 2022 and 2020 were based upon Level 3 inputs.

Revenue Recognition

Sales

Sales consist primarily of supply chain sales, which represent sales of products, supplies and restaurant equipment to franchisees, as well as sales to retailers and are presented net of any related sales tax. Orders placed by customers specify the goods to be delivered and transaction prices for supply chain sales. Revenue is recognized upon transfer of control over ordered items, generally upon delivery to the customer, which is when the customer obtains physical possession of the goods, legal title is transferred, the customer has all risks and rewards of ownership and an obligation to pay for the goods is created. Shipping and handling costs associated with outbound freight for supply chain sales are accounted for as fulfillment costs and classified as cost of sales.

To a much lesser extent, sales also include Company restaurant sales (including Restaurant VIEs), which consist of sales to restaurant guests. Revenue from Company restaurant sales is recognized at the point of sale. Taxes assessed by a governmental authority that we collect are excluded from revenue.

Franchise and property revenues

Franchise revenues consist primarily of royalties, initial and renewal franchise fees and upfront fees from development agreements and master franchise and development agreements (“MFDAs”). Under franchise agreements, we provide franchisees with (i) a franchise license, which includes a license to use our intellectual property, (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials and menu items and restaurant monitoring and inspections. These services are highly interrelated and dependent upon the franchise license and we concluded these services do not represent individually distinct performance obligations. Consequently, we bundle the franchise license performance obligation and promises to provide these services into a single performance obligation (the “Franchise PO”), which we satisfy by providing a right to use our intellectual property over the term of each franchise agreement.

Royalties are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee upon a new restaurant opening or renewal of an existing franchise agreement. Our franchise agreement royalties represent sales-based royalties that are related entirely to the Franchise PO and are recognized as franchise sales occur. Initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Our performance obligation under development agreements other than MFDAs generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise restaurant opened by the franchisee. The pro rata amount apportioned to each restaurant is accounted for as an initial franchise fee.

We have a distinct performance obligation under our MFDAs to grant subfranchising rights over a stated term. Under the terms of MFDAs, we typically either receive an upfront fee paid in cash and/or receive noncash consideration in the form of an equity interest in the master franchisee or an affiliate of the master franchisee. We account for noncash consideration as investments in the applicable equity method investee and recognize revenue in an amount equal to the fair value of the equity interest received. Upfront fees from master franchisees, including the fair value of noncash consideration, are deferred and amortized over the MFDA term on a straight-line basis. We may recognize unamortized upfront fees when a contract with a franchisee or master franchisee is modified and is accounted for as a termination of the existing contract.

The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. We recognize gift card breakage income proportionately as each gift card is redeemed using an estimated breakage rate based on our historical experience.

Property revenues consists of rental income from properties we lease or sublease to franchisees. Property revenues are accounted for in accordance with applicable accounting guidance for leases and are excluded from the scope of revenue recognition guidance.

In certain instances, we provide incentives to franchisees in connection with restaurant renovations or other initiatives. These incentives may consist of cash consideration or non-cash consideration such as restaurant equipment. In general, these incentives are designed to support system-wide sales growth to increase our future revenues. The costs of these incentives are capitalized and amortized as a reduction in franchise and property revenue over the term of the contract to which the incentive relates.

Advertising revenues and other services

Advertising revenues consist primarily of franchisee contributions to advertising funds in those markets where our subsidiaries manage an advertising fund and are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Under our franchise agreements, advertising contributions received from franchisees must be spent on advertising, product development, marketing, and related activities. We determined our advertising and promotion management services do not represent individually distinct performance obligations and are included in the Franchise PO.

Other services revenues consist primarily of fees from digital sales that partially offset expenses related to technology initiatives. These services are distinct from the Franchise PO because they are not dependent upon the franchise license or highly interrelated with the franchise license.

Cost of Sales

Cost of sales consists primarily of costs associated with the management of our TH supply chain, including cost of goods, direct labor, depreciation and bad debt expense (recoveries) from supply chain sales. Cost of sales also includes food, paper and labor costs of Company restaurants.

Franchise and Property Expenses

Franchise and property expenses consist primarily of depreciation of properties leased to franchisees, rental expense associated with properties subleased to franchisees, amortization of franchise agreements, and bad debt expense (recoveries) from franchise and property revenues.

Advertising Expenses and Other Services

Advertising expenses and other services consist primarily of expenses relating to marketing, advertising and promotion, including market research, production, advertising costs, sales promotions, social media campaigns, technology initiatives, bad debt expense (recoveries) from franchisee contributions to advertising funds we manage, depreciation and amortization and other related support functions for the respective brands. Additionally, we may incur discretionary expenses to fund advertising programs in connection with periodic initiatives.

Company restaurants and franchise restaurants contribute to advertising funds that our subsidiaries manage in the United States and Canada and certain other international markets. The advertising funds expense the production costs of advertising when the advertisements are first aired or displayed. All other advertising and promotional costs are expensed in the period incurred. Under our franchise agreements, advertising contributions received from franchisees must be spent on advertising, product development, marketing and related activities. The advertising contributions by Company restaurants (including Restaurant VIEs) are eliminated in consolidation. Consolidated advertising expense totaled $1,032 million, $962 million and $870 million in 2022, 2021 and 2020, respectively.

Deferred Financing Costs

Deferred financing costs are amortized over the term of the related debt agreement into interest expense using the effective interest method.

Income Taxes

Amounts in the Financial Statements related to income taxes are calculated using the principles of ASC Topic 740, *Income Taxes*. Under these principles, deferred tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes, as well as tax credit carry-forwards and loss carry-forwards. These deferred taxes are measured by applying currently enacted tax rates. A deferred tax asset is recognized when it is considered more-likely-than-not to be realized. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in income in the year in which the law is enacted. A valuation allowance reduces deferred tax assets when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

We recognize positions taken or expected to be taken in a tax return in the Financial Statements when it is more-likely-than-not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement.

Translation gains and losses resulting from the remeasurement of foreign deferred tax assets or liabilities denominated in a currency other than the functional currency are classified as other operating expenses (income), net in the consolidated statements of operations.

Share-based Compensation

Compensation expense related to the issuance of share-based awards to our employees is measured at fair value on the grant date. We use the Black-Scholes option pricing model to value stock options. The fair value of restricted stock units ("RSUs") is generally based on the closing price of RBI's common shares on the trading day preceding the date of grant. Our total shareholder return and if applicable our total shareholder return relative to our peer group is incorporated into the underlying assumptions using a Monte Carlo simulation valuation model to calculate grant date fair value for performance based awards with a market condition. The compensation expense for awards that vest over a future service period is recognized over the requisite service period on a straight-line basis, adjusted for estimated forfeitures of awards that are not expected to vest. We use historical data to estimate forfeitures for share-based awards. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved.

New Accounting Pronouncements

Accounting Relief for the Transition Away from LIBOR and Certain other Reference Rates – In March 2020 and as clarified in January 2021 and December 2022, the Financial Accounting Standards Board ("FASB") issued guidance which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This amendment is effective as of March 12, 2020 through December 31, 2024. The expedients and exceptions provided by this new guidance do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationships. During the third quarter of 2021, we adopted certain of the expedients as it relates to hedge accounting as certain of our debt agreements and hedging relationships bear interest at variable rates, primarily U.S. dollar LIBOR. The adoption of and future elections under this new guidance did not and are not expected to have a material impact on our Financial Statements. We will continue to monitor the discontinuance of LIBOR on our debt agreements and hedging relationships.

Lessors—Certain Leases with Variable Lease Payments – In July 2021, the FASB issued guidance that requires lessors to classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if (a) the lease would have been classified as a sales-type lease or a direct financing lease in accordance with lease classification criteria and (b) the lessor would have otherwise recognized a day-one loss. This amendment is effective in 2022 with early adoption permitted. This guidance may be applied either retrospectively to leases that commenced or were modified on or after the adoption of lease guidance we adopted in 2019 or prospectively to leases that commence or are modified on or after the date that this new guidance is applied. The adoption of this new guidance during the first quarter of 2022 did not have a material impact on our Financial Statements.

Liabilities—Supplier Finance Programs – In September 2022, the FASB issued guidance that requires buyers in a supplier finance program to disclose sufficient information about the program to allow investors to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. These disclosures would include the key terms of the program, as well as the obligation amount that the buyer has confirmed as valid to the third party that is outstanding at the end of the reporting period, a rollforward of that amount, and a description of where that amount is presented in the balance sheet. This amendment is effective in 2023, except for the amendment on rollforward information which is effective in 2024, with early adoption permitted. This guidance should be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. We are currently evaluating the impact that the adoption of this new guidance will have on our Financial Statements and will add necessary disclosures upon adoption.

Note 3. Firehouse Acquisition

We acquired Firehouse Subs on December 15, 2021 (the "Firehouse Acquisition") which complements RBI's existing portfolio. Like RBI's other brands, the *Firehouse Subs* brand is managed independently, while benefiting from the global scale and resources of RBI. The Firehouse Acquisition was accounted for as a business combination using the acquisition method of accounting.

Total consideration in connection with the Firehouse Acquisition was $1,016 million. The consideration was funded through cash on hand and $533 million of incremental borrowings under our Term Loan Facility - See Note 9, *Long-Term Debt*.

Fees and expenses related to the Firehouse Acquisition and related financings totaled $1 million during 2022 and $18 million during 2021, consisting primarily of professional fees and compensation related expenses which are classified as general and administrative expenses in the accompanying consolidated statements of operations.

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During 2022, we adjusted our preliminary estimate of the fair value of net assets acquired. The final allocation of consideration to the net tangible and intangible assets acquired is presented in the table below (in millions):

	December 15, 2021	
Total current assets	$	21
Property and equipment		4
Firehouse Subs brand		816
Franchise agreements		19
Operating lease assets		9
Total liabilities		(48)
Total identifiable net assets		821
Goodwill		195
Total consideration	$	1,016

The adjustments to the preliminary estimate of net assets acquired and a decrease in total consideration resulted in a corresponding decrease in estimated goodwill due to the following changes to preliminary estimates of fair values and allocation of purchase price (in millions):

	Increase (Decrease) in Goodwill	
Change in:		
Operating lease assets	$	(9)
Firehouse Subs brand		(48)
Franchise agreements		(19)
Total liabilities		35
Total consideration		(17)
Total decrease in goodwill	$	(58)

The *Firehouse Subs* brand has been assigned an indefinite life and, therefore, will not be amortized, but rather tested annually for impairment. Franchise agreements have a weighted average amortization period of 18 years. Goodwill attributable to the Firehouse Acquisition will be deductible and amortized for tax purposes. Goodwill is considered to represent the value associated with the workforce and synergies anticipated to be realized as a combined company. We have allocated goodwill related to the Firehouse Acquisition to our FHS operating segment and to one reporting unit for goodwill impairment testing purposes. In the event that actual results vary from the estimates or assumptions used in the valuation or allocation process, we may be required to record an impairment charge or an increase in depreciation or amortization in future periods, or both. We completed our impairment reviews for goodwill and the Firehouse Subs brand as of October 1, 2022 and no impairment resulted.

The results of operations of Firehouse Subs have been included in our consolidated financial statements from the acquisition date of December 15, 2021. The Firehouse Acquisition is not material to our consolidated financial statements, and therefore, supplemental pro forma financial information related to the acquisition is not included herein.

Note 4. Earnings per Share

An economic interest in Partnership common equity is held by the holders of Class B exchangeable limited partnership units (the "Partnership exchangeable units"), which is reflected as a noncontrolling interest in our equity. See Note 13, *Shareholders' Equity*.

Basic and diluted earnings per share is computed using the weighted average number of shares outstanding for the period. We apply the treasury stock method to determine the dilutive weighted average common shares represented by outstanding equity awards, unless the effect of their inclusion is anti-dilutive. The diluted earnings per share calculation assumes conversion of 100% of the Partnership exchangeable units under the "if converted" method. Accordingly, the numerator is also adjusted to include the earnings allocated to the holders of noncontrolling interests.

The following table summarizes the basic and diluted earnings per share calculations (in millions, except per share amounts):

	2022	2021	2020
Numerator:			
Net income attributable to common shareholders - basic	$ 1,008	$ 838	$ 486
Add: Net income attributable to noncontrolling interests	471	411	262
Net income available to common shareholders and noncontrolling interests - diluted	$ 1,479	$ 1,249	$ 748
Denominator:			
Weighted average common shares - basic	307	310	302
Exchange of noncontrolling interests for common shares (Note 12)	144	151	162
Effect of other dilutive securities	4	3	4
Weighted average common shares - diluted	455	464	468
Basic earnings per share (a)	$ 3.28	$ 2.71	$ 1.61
Diluted earnings per share (a)	$ 3.25	$ 2.69	$ 1.60
Anti-dilutive securities outstanding	6	3	6

(a) Earnings per share may not recalculate exactly as it is calculated based on unrounded numbers.

Note 5. Property and Equipment, net

Property and equipment, net, consist of the following (in millions):

	As of December 31,	
	2022	2021
Land	$ 985	$ 1,011
Buildings and improvements	1,165	1,200
Restaurant equipment	192	193
Furniture, fixtures, and other	300	257
Finance leases	317	323
Construction in progress	52	30
	3,011	3,014
Accumulated depreciation and amortization	(1,061)	(979)
Property and equipment, net	$ 1,950	$ 2,035

Depreciation and amortization expense on property and equipment totaled $135 million for 2022, $148 million for 2021 and $140 million for 2020.

Included in our property and equipment, net at December 31, 2022 and 2021 are $227 million and $246 million, respectively, of assets leased under finance leases (mostly buildings and improvements), net of accumulated depreciation and amortization of $90 million and $77 million, respectively.

Note 6. Intangible Assets, net and Goodwill

Intangible assets, net and goodwill consist of the following (in millions):

	As of December 31,					
	2022			2021		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Identifiable assets subject to amortization:						
Franchise agreements	$ 720	$ (313)	$ 407	$ 722	$ (290)	$ 432
Favorable leases	90	(57)	33	104	(63)	41
Subtotal	810	(370)	440	826	(353)	473
Indefinite-lived intangible assets:						
Tim Hortons brand	$ 6,293	$ —	$ 6,293	$ 6,695	$ —	$ 6,695
Burger King brand	2,088	—	2,088	2,126	—	2,126
Popeyes brand	1,355	—	1,355	1,355	—	1,355
Firehouse Subs brand	815	—	815	768	—	768
Subtotal	10,551	—	10,551	10,944	—	10,944
Intangible assets, net			$ 10,991			$ 11,417
Goodwill						
Tim Hortons segment	$ 4,059			$ 4,306		
Burger King segment	590			601		
Popeyes segment	846			846		
Firehouse segment	193			253		
Total	$ 5,688			$ 6,006		

Amortization expense on intangible assets totaled $39 million for 2022, $41 million for 2021, and $43 million for 2020. The change in the franchise agreements, brands and goodwill balances during 2022 was due to the impact of foreign currency translation and the impact of final adjustments to the preliminary allocation of consideration to the net tangible and intangible assets acquired in the Firehouse Acquisition.

As of December 31, 2022, the estimated future amortization expense on identifiable assets subject to amortization is as follows (in millions):

Twelve-months ended December 31,	Amount
2023	$ 37
2024	36
2025	34
2026	34
2027	34
Thereafter	265
Total	$ 440

Note 7. Equity Method Investments

The aggregate carrying amount of our equity method investments was $167 million and $194 million as of December 31, 2022 and 2021, respectively, and is included as a component of Other assets, net in our consolidated balance sheets.

Except for the following equity method investments, no quoted market prices are available for our other equity method investments. The aggregate market value of our 15.2% equity interest in Carrols Restaurant Group, Inc. ("Carrols") based on the quoted market price on December 31, 2022 is approximately $13 million. The aggregate market value of our 9.4% equity interest in BK Brasil Operação e Assessoria a Restaurantes S.A. based on the quoted market price on December 31, 2022 is approximately $27 million. The aggregate market value of our 3.8% equity interest in TH International Limited based on the quoted market price on December 31, 2022 was approximately $16 million. We have evaluated recent declines in the market value of these equity method investments and recognized an impairment of $15 million as a result of a sustained decline in Carrols' share price and market capitalization during 2022.

We have equity interests in entities that own or franchise Tim Hortons, Burger King and Popeyes restaurants. Franchise and property revenue recognized from franchisees that are owned or franchised by entities in which we have an equity interest consist of the following (in millions):

	2022	2021	2020
Revenues from affiliates:			
Royalties	$ 353	$ 350	$ 239
Advertising revenues	71	67	50
Property revenues	31	32	32
Franchise fees and other revenue	18	21	14
Sales	18	10	3
Total	$ 491	$ 480	$ 338

At December 31, 2022 and 2021, we had $42 million and $48 million, respectively, of accounts receivable, net from our equity method investments which were recorded in accounts and notes receivable, net in our consolidated balance sheets.

With respect to our TH business, the most significant equity method investment is our 50.0% joint venture interest with The Wendy's Company (the "TIMWEN Partnership"), which jointly holds real estate underlying Canadian combination restaurants. Distributions received from this joint venture were $13 million, $16 million and $8 million during 2022, 2021 and 2020, respectively.

We recognized rent expense associated with the TIMWEN Partnership of $19 million, $18 million, and $15 million during 2022, 2021 and 2020, respectively.

(Income) loss from equity method investments reflects our share of investee net income or loss, non-cash dilution gains or losses from changes in our ownership interests in equity investees and impairment charges.

Note 8. Other Accrued Liabilities and Other Liabilities

Other accrued liabilities (current) and other liabilities, net (non-current) consist of the following (in millions):

	As of December 31,	
	2022	2021
Current:		
Dividend payable	$ 243	$ 241
Interest payable	89	63
Accrued compensation and benefits	124	99
Taxes payable	190	106
Deferred income	43	48
Accrued advertising expenses	37	43
Restructuring and other provisions	29	90
Current portion of operating lease liabilities	137	140
Other	109	117
Other accrued liabilities	$ 1,001	$ 947
Non-current:		
Taxes payable	$ 139	$ 533
Contract liabilities (see Note 15)	540	531
Derivatives liabilities	34	575
Unfavorable leases	50	65
Accrued pension	40	47
Deferred income	44	37
Other	25	34
Other liabilities, net	$ 872	$ 1,822

Note 9. Long-Term Debt

Long-term debt consists of the following (in millions):

	As of December 31,	
	2022	2021
Term Loan B	$ 5,190	$ 5,243
Term Loan A	1,250	1,250
3.875% First Lien Senior Notes due 2028	1,550	1,550
3.50% First Lien Senior Notes due 2029	750	750
5.75% First Lien Senior Notes due 2025	500	500
4.375% Second Lien Senior Notes due 2028	750	750
4.00% Second Lien Senior Notes due 2030	2,900	2,900
TH Facility and other	155	173
Less: unamortized deferred financing costs and deferred issuance discount	(111)	(138)
Total debt, net	12,934	12,978
Less: current maturities of debt	(95)	(62)
Total long-term debt	$ 12,839	$ 12,916

Credit Facilities

On December 13, 2021, two of our subsidiaries (the “Borrowers”) entered into a fifth incremental facility amendment and a sixth amendment (the “2021 Amendment”) to the credit agreement governing our senior secured term loan A facility (the “Term Loan A”), our senior secured term loan B facility (the “Term Loan B” and together with the Term Loan A the “Term Loan Facilities”) and our $1,000 million senior secured revolving credit facility (including revolving loans, swingline loans and letters of credit) (the “Revolving Credit Facility” and together with the Term Loan Facilities, the “Credit Facilities”). The 2021 Amendment increased the existing Term Loan A to $1,250 million and extended the maturity date of the Term Loan A and Revolving Credit Facility to December 13, 2026 (subject to earlier maturity in specified circumstances). The security and guarantees under the Revolving Credit Facility and Term Loan A are the same as those under the existing facilities. The proceeds from the increase in the Term Loan A were used with cash on hand to complete the Firehouse Acquisition. In connection with the 2021 Amendment, we capitalized approximately $12 million in debt issuance costs.

The 2021 Amendment also amended the interest rate applicable to the Revolving Credit Facility and the Term Loan A to incorporate SOFR. The interest rate applicable to the Term Loan A and Revolving Credit Facility is, at our option, either (a) a base rate, subject to a floor of 1.00%, plus an applicable margin varying from 0.00% to 0.50%, or (b) Adjusted Term SOFR (Adjusted Term SOFR is calculated as Term SOFR plus a 0.10% adjustment), subject to a floor of 0.00%, plus an applicable margin varying between 0.75% and 1.50%, in each case, determined by reference to a net first lien leverage-based pricing grid. The commitment fee on the unused portion of the Revolving Credit Facility is 0.15%. At December 31, 2022, the interest rate on the Term Loan A was 5.44%. The principal amount of the Term Loan A amortizes in quarterly installments equal to $8 million beginning March 31, 2023 until September 30, 2024 and thereafter in quarterly installments equal to $16 million until maturity, with the balance payable at maturity. The 2021 Amendment includes amendments to certain negative covenants to provide increased flexibility. The 2021 Amendment made no other material changes to the terms of the Credit Agreement.

The maturity date of our Term Loan B is November 19, 2026 and the interest rate applicable to our Term Loan B is, at our option, either (a) a base rate, subject to a floor of 1.00%, plus an applicable margin of 0.75%, or (b) a Eurocurrency rate, subject to a floor of 0.00%, plus an applicable margin of 1.75%. At December 31, 2022, the interest rate on the Term Loan B was 6.13%. The principal amount of the Term Loan B amortizes in quarterly installments equal to $13 million until maturity, with the balance payable at maturity.

Revolving Credit Facility

As of December 31, 2022, we had no amounts outstanding under our Revolving Credit Facility. Funds available under the Revolving Credit Facility may be used to repay other debt, finance debt or share repurchases, to fund acquisitions or capital expenditures and for other general corporate purposes. We have a $125 million letter of credit sublimit as part of the Revolving Credit Facility, which reduces our borrowing availability thereunder by the cumulative amount of outstanding letters of credit. The interest rate applicable to amounts drawn under each letter of credit is 0.75% to 1.50%, depending on our net first lien leverage ratio. As of December 31, 2022, we had $2 million of letters of credit issued against the Revolving Credit Facility, and our borrowing availability was $998 million.

Obligations under the Credit Facilities are guaranteed on a senior secured basis, jointly and severally, by the direct parent company of one of the Borrowers and substantially all of its Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Company LLC, Popeyes Louisiana Kitchen, Inc., FRG, LLC and substantially all of their respective Canadian and U.S. subsidiaries (the “Credit Guarantors”). Amounts borrowed under the Credit Facilities are secured on a first priority basis by a perfected security interest in substantially all of the present and future property (subject to certain exceptions) of each Borrower and Credit Guarantor.

3.875% First Lien Senior Notes due 2028

On September 24, 2019, the Borrowers entered into an indenture (the “3.875% First Lien Senior Notes Indenture”) in connection with the issuance of $750 million of 3.875% first lien senior notes due January 15, 2028 (the “2019 3.875% Senior Notes”). On July 6, 2021, the Borrowers issued an additional $800 million under the 3.875% First Lien Senior Notes Indenture (the “Additional Notes” and together with the 2019 3.875% Senior Notes, the “3.875% First Lien Senior Notes due 2028”). No principal payments are due until maturity and interest is paid semi-annually. The Additional Notes were priced at 100.250% of their face value. The net proceeds from the offering of the Additional Notes were used to redeem the remaining $775 million principal amount outstanding of 4.25% first lien senior notes, plus any accrued and unpaid interest thereon, and pay related redemption premiums, fees and expenses. In connection with the issuance of the Additional Notes, we capitalized approximately $7 million in debt issuance costs. In connection with the redemption of the remaining $775 million principal amount outstanding of the 4.25% first lien senior notes, we recorded a loss on early extinguishment of debt of $11 million that primarily reflects the payment of redemption premiums and the write-off of unamortized debt issuance costs.

Obligations under the 3.875% First Lien Senior Notes due 2028 are guaranteed on a senior secured basis, jointly and severally, by the Borrowers and substantially all of the Borrower's Canadian and U.S. subsidiaries, including The TDL Group Corp., Burger King Company LLC, Popeyes Louisiana Kitchen, Inc., FRG, LLC and substantially all of their respective Canadian and U.S. subsidiaries (the “Note Guarantors”). The 3.875% First Lien Senior Notes due 2028 are first lien senior secured obligations and rank equal in right of payment with all of the existing and future first lien senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees under our Credit Facilities.

The 3.875% First Lien Senior Notes due 2028 may be redeemed in whole or in part at any time at the redemption prices set forth in the 3.875% First Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 3.875% First Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

5.75% First Lien Senior Notes due 2025

On April 7, 2020, the Borrowers entered into an indenture (the “5.75% First Lien Senior Notes Indenture”) in connection with the issuance of $500 million of 5.75% first lien notes due April 15, 2025 (the “5.75% First Lien Senior Notes due 2025”). No principal payments are due until maturity and interest is paid semi-annually. The net proceeds from the offering of the 5.75% First Lien Senior Notes due 2025 were used for general corporate purposes. In connection with the issuance of the 5.75% First Lien Senior Notes due 2025, we capitalized approximately $10 million in debt issuance costs.

Obligations under the 5.75% First Lien Senior Notes due 2025 are guaranteed on a senior secured basis, jointly and severally, by the Note Guarantors. The 5.75% First Lien Senior Notes due 2025 are first lien senior secured obligations and rank equal in right of payment with all of the existing and future first lien senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 5.75% First Lien Senior Notes due 2025 may be redeemed in whole or in part at any time at the redemption prices set forth in the 5.75% First Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 5.75% First Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

3.50% First Lien Senior Notes due 2029

On November 9, 2020, the Borrowers entered into an indenture (the “3.50% First Lien Senior Notes Indenture”) in connection with the issuance of $750 million of 3.50% first lien notes due February 15, 2029 (the “3.50% First Lien Senior Notes due 2029”). No principal payments are due until maturity and interest is paid semi-annually. The proceeds from the offering of the 3.50% First Lien Senior Notes due 2029, together with cash on hand, were used to redeem $725 million of 4.25% first lien senior notes and pay related redemption premiums, fees and expenses. In connection with the issuance of the 3.50% First Lien Senior Notes due 2029, we capitalized approximately $7 million in debt issuance costs. In connection with the redemption of the 4.25% first lien senior notes, we recorded a loss on early extinguishment of debt of $19 million that primarily reflects the payment of premiums to redeem the notes and the write-off of unamortized debt issuance costs.

Obligations under the 3.50% First Lien Senior Notes due 2029 are guaranteed on a senior secured basis, jointly and severally, by the Note Guarantors. The 3.50% First Lien Senior Notes due 2029 are first lien senior secured obligations and rank equal in right of payment with all of the existing and future first lien senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities.

Our 3.50% First Lien Senior Notes due 2029 may be redeemed in whole or in part, on or after February 15, 2024 at the redemption prices set forth in the 3.50% First Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 3.50% First Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

4.375% Second Lien Senior Notes due 2028

On November 19, 2019, the Borrowers entered into an indenture (the “4.375% Second Lien Senior Notes Indenture”) in connection with the issuance of $750 million of 4.375% second lien senior notes due January 15, 2028 (the “4.375% Second Lien Senior Notes due 2028”). No principal payments are due until maturity and interest is paid semi-annually.

Obligations under the 4.375% Second Lien Senior Notes due 2028 are guaranteed on a second priority senior secured basis, jointly and severally, by the Note Guarantors. The 4.375% Second Lien Senior Notes due 2028 are second lien senior secured obligations and rank equal in right of payment with all of the existing and future senior debt of the Borrowers and Note Guarantors, including borrowings and guarantees of the Credit Facilities, and effectively subordinated to all of the existing and future first lien senior debt of the Borrowers and Note Guarantors.

Our 4.375% Second Lien Senior Notes due 2028 may be redeemed in whole or in part at any time at the redemption prices set forth in the 4.375% Second Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 4.375% Second Lien Senior Notes Indenture also contains redemption provisions related to tender offers, change of control and equity offerings, among others.

4.00% Second Lien Senior Notes due 2030

During 2020, the Borrowers entered into an indenture (the "4.00% Second Lien Senior Notes Indenture") in connection with the issuance of $2,900 million of 4.00% second lien notes due October 15, 2030 (the "4.00% Second Lien Senior Notes due 2030"). No principal payments are due until maturity and interest is paid semi-annually. The proceeds from the offering of the 4.00% Second Lien Senior Notes due 2030 were used to redeem the entire outstanding principal balance of $2,800 million of 5.00% second lien senior notes due October 15, 2025 (the "5.00% Second Lien Senior Notes due 2025"), pay related redemption premiums, fees and expenses. In connection with the issuance of the 4.00% Second Lien Senior Notes due 2030, we capitalized approximately $26 million in debt issuance costs. In connection with the full redemption of the 5.00% Second Lien Senior Notes due 2025, we recorded a loss on early extinguishment of debt of $79 million that primarily reflects the payment of premiums to redeem the notes and the write-off of unamortized debt issuance costs.

Obligations under the 4.00% Second Lien Senior Notes due 2030 are guaranteed on a second priority senior secured basis, jointly and severally, by the Note Guarantors. The 4.00% Second Lien Senior Notes due 2030 are second lien senior secured obligations and rank equal in right of payment will all of the existing and future senior debt of the Borrowers and Note Guarantors and effectively subordinated to all of the existing and future first lien senior debt of the Borrowers and Note Guarantors.

Our 4.00% Second Lien Senior Notes due 2030 may be redeemed in whole or in part, on or after October 15, 2025 at the redemption prices set forth in the 4.00% Second Lien Senior Notes Indenture, plus accrued and unpaid interest, if any, at the date of redemption. The 4.00% Second Lien Senior Notes Indenture also contains optional redemption provisions related to tender offers, change of control and equity offerings, among others.

Restrictions and Covenants

Our Credit Facilities, as well as the 3.875% First Lien Senior Notes Indenture, 5.75% First Lien Senior Notes Indenture, 3.50% First Lien Senior Notes Indenture, 4.375% Second Lien Senior Notes Indenture and 4.00% Second Lien Senior Notes Indenture (all together the "Senior Notes Indentures") contain a number of customary affirmative and negative covenants that, among other things, limit or restrict our ability and the ability of certain of our subsidiaries to: incur additional indebtedness; incur liens; engage in mergers, consolidations, liquidations and dissolutions; sell assets; pay dividends and make other payments in respect of capital stock; make investments, loans and advances; pay or modify the terms of certain indebtedness; and engage in certain transactions with affiliates. In addition, under the Credit Facilities, the Borrowers are not permitted to exceed a first lien senior secured leverage ratio of 6.50 to 1.00 when, as of the end of any fiscal quarter beginning with the first fiscal quarter of 2020, (1) any amounts are outstanding under the Term Loan A and/or (2) the sum of (i) the amount of letters of credit outstanding exceeding $50 million (other than those that are cash collateralized); (ii) outstanding amounts under the Revolving Credit Facility and (iii) outstanding amounts of swing line loans, exceeds 30.0% of the commitments under the Revolving Credit Facility.

The restrictions under the Credit Facilities and the Senior Notes Indentures have resulted in substantially all of our consolidated assets being restricted.

As of December 31, 2022, we were in compliance with applicable financial debt covenants under the Credit Facilities and the Senior Notes Indentures and there were no limitations on our ability to draw on the remaining availability under our Revolving Credit Facility.

TH Facility

One of our subsidiaries entered into a non-revolving delayed drawdown term credit facility in a total aggregate principal amount of C$225 million with a maturity date of October 4, 2025 (the "TH Facility"). The interest rate applicable to the TH Facility is the Canadian Bankers' Acceptance rate plus an applicable margin equal to 1.40% or the Prime Rate plus an applicable margin equal to 0.40%, at our option. Obligations under the TH Facility are guaranteed by four of our subsidiaries, and amounts borrowed under the TH Facility are secured by certain parcels of real estate. As of December 31, 2022, we had approximately C$203 million outstanding under the TH Facility with a weighted average interest rate of 6.07%.

RE Facility

One of our subsidiaries entered into a non-revolving delayed drawdown term credit facility in a total aggregate principal amount of $50 million with a maturity date of October 12, 2028 (the “RE Facility”). The interest rate applicable to the RE Facility is, at our option, either (i) a base rate, subject to a floor of 0.50%, plus an applicable margin of 0.50% or (ii) Adjusted Term SOFR (Adjusted Term SOFR is calculated as Term SOFR plus a margin based on duration), subject to a floor of 0.00%, plus an applicable margin of 1.50%. Obligations under the RE Facility are guaranteed by four of our subsidiaries, and amounts borrowed under the RE Facility are secured by certain parcels of real estate. As of December 31, 2022, we had approximately $2 million outstanding under the RE Facility with a weighted average interest rate of 5.97%.

Debt Issuance Costs

During 2021 and 2020, we incurred aggregate deferred financing costs of $19 million and $43 million, respectively. We did not incur any significant deferred financing costs during 2022.

Loss on Early Extinguishment of Debt

During 2021, we recorded an $11 million loss on early extinguishment of debt that primarily reflects the payment of redemption premiums and the write-off of unamortized debt issuance costs in connection with the redemption of the remaining $775 million principal amount outstanding of the 4.25% first lien senior notes. During 2020, we recorded a $98 million loss on early extinguishment of debt that primarily reflects the payment of premiums and the write-off of unamortized debt issuance costs in connection with the full redemption of the 5.00% Second Lien Senior Notes due 2025 and the partial redemption of the 4.25% first lien senior notes.

Maturities

The aggregate maturities of our long-term debt as of December 31, 2022 are as follows (in millions):

Year Ended December 31,	Principal Amount
2023	$ 97
2024	107
2025	741
2026	6,148
2027	—
Thereafter	5,952
Total	$ 13,045

Interest Expense, net

Interest expense, net consists of the following (in millions):

	2022	2021	2020
Debt (a)	$ 493	$ 461	$ 471
Finance lease obligations	19	20	20
Amortization of deferred financing costs and debt issuance discount	28	27	26
Interest income	(7)	(3)	(9)
Interest expense, net	$ 533	$ 505	$ 508

(a) Amount includes $56 million, $45 million and $69 million benefit during 2022, 2021 and 2020, respectively, related to the quarterly net settlements of our cross-currency rate swaps and amortization of the Excluded Component as defined in Note 12, *Derivative Instruments*.

Note 10. Leases

As of December 31, 2022, we leased or subleased 4,978 restaurant properties to franchisees and 147 non-restaurant properties to third parties under operating leases, direct financing leases and sales-type leases where we are the lessor. Initial lease terms generally range from 10 to 20 years. Most leases to franchisees provide for fixed monthly payments and many provide for future rent escalations and renewal options. Certain leases also include provisions for variable rent, determined as a percentage of sales, generally when annual sales exceed specific levels. Lessees typically bear the cost of maintenance, insurance and property taxes.

We lease land, buildings, equipment, office space and warehouse space from third parties. Land and building leases generally have an initial term of 10 to 20 years, while land-only lease terms can extend longer, and most leases provide for fixed monthly payments. Many of these leases provide for future rent escalations and renewal options. Certain leases also include provisions for variable rent payments, determined as a percentage of sales, generally when annual sales exceed specified levels. Most leases also obligate us to pay, as lessee, variable lease cost related to maintenance, insurance and property taxes.

Company as Lessor

Assets leased to franchisees and others under operating leases where we are the lessor and which are included within our property and equipment, net are as follows (in millions):

	As of December 31,	
	2022	2021
Land	$ 880	$ 899
Buildings and improvements	1,129	1,180
Restaurant equipment	16	18
	2,025	2,097
Accumulated depreciation and amortization	(625)	(587)
Property and equipment leased, net	$ 1,400	$ 1,510

Our net investment in direct financing and sales-type leases is as follows (in millions):

	As of December 31,	
	2022	2021
Future rents to be received:		
Future minimum lease receipts	$ 112	$ 113
Contingent rents (a)	5	7
Estimated unguaranteed residual value	6	5
Unearned income	(36)	(40)
	87	85
Current portion included within accounts receivable	(5)	(5)
Net investment in property leased to franchisees	$ 82	$ 80

(a) Amounts represent estimated contingent rents recorded in connection with the acquisition method of accounting.

Property revenues are comprised primarily of rental income from operating leases and earned income on direct financing leases with franchisees as follows (in millions):

	2022	2021	2020
Rental income:			
Minimum lease payments	$ 410	$ 455	$ 445
Variable lease payments	395	329	262
Amortization of favorable and unfavorable income lease contracts, net	1	3	6
Subtotal - lease income from operating leases	806	787	713
Earned income on direct financing and sales-type leases	7	6	5
Total property revenues	$ 813	$ 793	$ 718

Company as Lessee

Lease cost and other information associated with these lease commitments is as follows (in millions):

Lease Cost (Income)

	2022	2021	2020
Operating lease cost	$ 202	$ 202	$ 199
Operating lease variable lease cost	196	193	177
Finance lease cost:			
Amortization of right-of-use assets	27	31	29
Interest on lease liabilities	19	20	20
Sublease income	(603)	(587)	(534)
Total lease cost (income)	$ (159)	$ (141)	$ (109)

Lease Term and Discount Rate as of December 31, 2022 and 2021

	As of December 31,	
	2022	2021
Weighted-average remaining lease term (in years):		
Operating leases	9.8 years	10.1 years
Finance leases	11.5 years	11.4 years
Weighted-average discount rate:		
Operating leases	5.5 %	5.5 %
Finance leases	5.8 %	6.0 %

Other Information for 2022, 2021 and 2020

	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 198	$ 200	$ 200
Operating cash flows from finance leases	$ 19	$ 20	$ 20
Financing cash flows from finance leases	$ 31	$ 31	$ 29
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets:			
Right-of-use assets obtained in exchange for new finance lease obligations	$ 22	$ 52	$ 59
Right-of-use assets obtained in exchange for new operating lease obligations	$ 133	$ 133	$ 118

As of December 31, 2022, future minimum lease receipts and commitments are as follows (in millions):

	Lease Receipts		Lease Commitments (a)	
	Direct Financing and Sales-Type Leases	Operating Leases	Finance Leases	Operating Leases
2023	$ 8	$ 355	$ 49	$ 195
2024	8	332	48	184
2025	8	306	44	170
2026	7	276	41	153
2027	7	246	38	139
Thereafter	74	1,217	244	697
Total minimum receipts / payments	$ 112	$ 2,732	464	1,538
Less amount representing interest			(121)	(374)
Present value of minimum lease payments			343	1,164
Current portion of lease obligations			(32)	(137)
Long-term portion of lease obligations			$ 311	$ 1,027

(a) Minimum lease payments have not been reduced by minimum sublease rentals of $1,663 million due in the future under non-cancelable subleases.

Note 11. Income Taxes

Income before income taxes, classified by source of income, is as follows (in millions):

	2022	2021	2020
Canadian	$ 444	$ 457	$ 200
Foreign	921	906	616
Income before income taxes	$ 1,365	$ 1,363	$ 816

Income tax (benefit) expense attributable to income from continuing operations consists of the following (in millions):

	2022	2021	2020
Current:			
Canadian	$ (284)	$ 16	$ 45
U.S. Federal	105	(10)	125
U.S. state, net of federal income tax benefit	26	25	26
Other Foreign	96	84	78
	$ (57)	$ 115	$ 274
Deferred:			
Canadian	$ 20	$ 32	$ (67)
U.S. Federal	(79)	(37)	(82)
U.S. state, net of federal income tax benefit	(9)	(7)	(27)
Other Foreign	8	7	(32)
	$ (60)	$ (5)	$ (208)
Income tax expense (benefit)	$ (117)	$ 110	$ 66

The statutory rate reconciles to the effective income tax rate as follows:

	2022	2021	2020
Statutory rate	26.5 %	26.5 %	26.5 %
Costs and taxes related to foreign operations	3.8	3.5	9.6
Foreign exchange gain (loss)	—	—	0.5
Foreign tax rate differential	(13.7)	(13.9)	(15.6)
Change in valuation allowance	(0.7)	1.1	1.2
Change in accrual for tax uncertainties	(26.7)	(7.4)	3.9
Intercompany financing	1.2	(3.5)	(6.1)
Impact of Tax Act	—	—	(7.8)
Swiss Tax Reform	—	—	(5.1)
Benefit from stock option exercises	(0.1)	(0.8)	(0.3)
Litigation settlements and reserves	—	1.4	—
Other	1.1	1.2	1.2
Effective income tax rate	(8.6)%	8.1 %	8.0 %

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that significantly revised the U.S. tax code. During 2020, various guidance was issued by the U.S. tax authorities relating to the Tax Act and, after review of such guidance, we recorded a favorable adjustment to our deferred tax assets of $64 million related to a tax attribute carryforward, which decreased our 2020 effective tax rate by 7.8%.

In a referendum held on May 19, 2019, Swiss voters adopted the Federal Act on Tax Reform and AVS Financing ("TRAF"), under which certain long-standing preferential cantonal tax regimes were abolished effective January 1, 2020, which the canton of Zug formally adopted in November 2019. Company subsidiaries in the canton of Zug were subjected to TRAF and therefore the TRAF impacted our consolidated results of operations during 2020. In 2020, a deferred tax asset was recorded due to an election made under TRAF by one of our Swiss subsidiaries. The amounts impacting income tax expense for the effects of the changes from the TRAF was approximately $41 million in 2020, which decreased our 2020 effective tax rate by approximately 5.1%.

Companies subject to the Global Intangible Low-Taxed Income provision (GILTI) have the option to account for the GILTI tax as a period cost if and when incurred, or to recognize deferred taxes for outside basis temporary differences expected to reverse as GILTI. We have elected to account for GILTI as a period cost.

Income tax (benefit) expense allocated to continuing operations and amounts separately allocated to other items was (in millions):

	2022	2021	2020
Income tax (benefit) expense from continuing operations	$ (117)	$ 110	$ 66
Cash flow hedge in accumulated other comprehensive income (loss)	153	72	(64)
Net investment hedge in accumulated other comprehensive income (loss)	77	(15)	(60)
Foreign Currency Translation in accumulated other comprehensive income (loss)	—	(4)	12
Pension liability in accumulated other comprehensive income (loss)	2	3	(3)
Total	$ 115	$ 166	$ (49)

The significant components of deferred income tax (benefit) expense attributable to income from continuing operations are as follows (in millions):

	2022	2021	2020
Deferred income tax expense (benefit)	$ 79	$ (22)	$ (230)
Change in valuation allowance	(143)	14	22
Change in effective U.S. state income tax rate	3	3	1
Change in effective foreign income tax rate	1	—	(1)
Total	$ (60)	$ (5)	$ (208)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in millions):

	As of December 31,	
	2022	2021
Deferred tax assets:		
Accounts and notes receivable	$ 8	$ 4
Accrued employee benefits	56	48
Leases	105	115
Operating lease liabilities	304	317
Liabilities not currently deductible for tax	403	346
Tax loss and credit carryforwards	316	517
Derivatives	—	164
Other	9	(1)
Total gross deferred tax assets	1,201	1,510
Valuation allowance	(194)	(356)
Net deferred tax assets	1,007	1,154
Less deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	15	15
Intangible assets	1,707	1,751
Leases	125	129
Operating lease assets	281	295
Statutory impairment	27	29
Derivatives	65	—
Outside basis difference	13	38
Total gross deferred tax liabilities	2,233	2,257
Net deferred tax liability	$ 1,226	$ 1,103

The valuation allowance had a net decrease of $162 million during 2022 primarily due to the change in estimates related to derivatives and the utilization of foreign tax credits and capital losses.

Changes in the valuation allowance are as follows (in millions):

	2022	2021	2020
Beginning balance	$ 356	$ 364	$ 329
Change in estimates recorded to deferred income tax expense	(9)	14	19
Changes in losses and credits	(134)	—	3
(Reductions) additions related to other comprehensive income	(19)	(22)	13
Ending balance	$ 194	$ 356	$ 364

The gross amount and expiration dates of operating loss and tax credit carry-forwards as of December 31, 2022 are as follows (in millions):

	Amount	Expiration Date
Canadian net operating loss carryforwards	$ 521	2036-2042
Canadian capital loss carryforwards	153	Indefinite
Canadian tax credits	4	2023-2041
U.S. state net operating loss carryforwards	546	2023-2042
U.S. federal net operating loss carryforwards	19	Indefinite
U.S. capital loss carryforwards	16	2040
U.S. foreign tax credits	69	2023-2031
Other foreign net operating loss carryforwards	249	Indefinite
Other foreign net operating loss carryforwards	41	2023-2038
Other foreign capital loss carryforward	27	Indefinite
Total	$ 1,645	

We are generally permanently reinvested on any potential outside basis differences except for unremitted earnings and profits and thus do not record a deferred tax liability for such outside basis differences. To the extent of unremitted earning and profits, we generally review various factors including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity and expected cash requirements to fund our various obligations and record deferred taxes to the extent we expect to distribute.

We had $139 million and $437 million of unrecognized tax benefits at December 31, 2022 and December 31, 2021, respectively, which if recognized, would favorably affect the effective income tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (in millions):

	2022	2021	2020
Beginning balance	$ 437	$ 497	$ 506
Additions for tax positions related to the current year	(5)	9	9
Additions for tax positions of prior years	3	23	7
Reductions for tax positions of prior years	(15)	(5)	(25)
Additions for settlement	—	7	—
Reductions due to statute expiration	(281)	(94)	—
Ending balance	$ 139	$ 437	$ 497

Although the timing of the resolution, settlement, and closure of any audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. During the twelve months beginning January 1, 2023, it is reasonably possible we will reduce unrecognized tax benefits by up to approximately $48 million due to the expiration of statutes of limitations, anticipated closure of various tax matters currently under examination, and settlements with tax authorities all being possibly impacted in multiple jurisdictions.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense. The total amount of accrued interest and penalties was $27 million and $121 million at December 31, 2022 and 2021, respectively. Potential interest and penalties associated with uncertain tax positions in various jurisdictions recognized was $3 million during 2022, $2 million during 2021 and $31 million during 2020. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

We file income tax returns with Canada and its provinces and territories. Generally, we are subject to routine examinations by the Canada Revenue Agency ("CRA"). The CRA is conducting examinations of the 2016 through 2018 taxation years. Additionally, income tax returns filed with various provincial jurisdictions are generally open to examination for periods up to six years subsequent to the filing and assessment of the respective return.

We also file income tax returns, including returns for our subsidiaries, with U.S. federal, U.S. state, and other foreign jurisdictions. We are subject to routine examination by taxing authorities in the U.S. jurisdictions, as well as other foreign tax jurisdictions. Taxable years of such U.S. companies are closed through 2018 for U.S. federal income tax purposes. We have various U.S. state and other foreign income tax returns in the process of examination. From time to time, these audits result in proposed assessments where the ultimate resolution may result in owing additional taxes. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters.

Note 12. Derivative Instruments

Disclosures about Derivative Instruments and Hedging Activities

We enter into derivative instruments for risk management purposes, including derivatives designated as cash flow hedges and derivatives designated as net investment hedges. We use derivatives to manage our exposure to fluctuations in interest rates and currency exchange rates.

Interest Rate Swaps

At December 31, 2022, we had outstanding receive-variable, pay-fixed interest rate swaps with a total notional value of $3,500 million to hedge the variability in the interest payments on a portion of our Term Loan Facilities, including any subsequent refinancing or replacement of the Term Loan Facilities, beginning August 31, 2021 through the termination date of October 31, 2028. Additionally, at December 31, 2022, we also had outstanding receive-variable, pay-fixed interest rate swaps with a total notional value of $500 million to hedge the variability in the interest payments on a portion of our Term Loan Facilities effective September 30, 2019 through the termination date of September 30, 2026. At inception, all of these interest rate swaps were designated as cash flow hedges for hedge accounting. The unrealized changes in market value are recorded in AOCI, net of tax, and reclassified into interest expense during the period in which the hedged forecasted transaction affects earnings. The net amount of pre-tax gains in connection with these net unrealized gains in AOCI as of December 31, 2022 that we expect to be reclassified into interest expense within the next 12 months is $86 million.

Cross-Currency Rate Swaps

To protect the value of our investments in our foreign operations against adverse changes in foreign currency exchange rates, we hedge a portion of our net investment in one or more of our foreign subsidiaries by using cross-currency rate swaps. At December 31, 2022, we had outstanding cross-currency rate swap contracts between the Canadian dollar and U.S. dollar and the Euro and U.S. dollar that have been designated as net investment hedges of a portion of our equity in foreign operations in those currencies. The component of the gains and losses on our net investment in these designated foreign operations driven by changes in foreign exchange rates are economically partly offset by movements in the fair value of our cross-currency swap contracts. The fair value of the swaps is calculated each period with changes in fair value reported in AOCI, net of tax. Such amounts will remain in AOCI until the complete or substantially complete liquidation of our investment in the underlying foreign operations.

At December 31, 2022, we had outstanding cross-currency rate swaps that we entered into during 2022 to partially hedge the net investment in our Canadian subsidiaries. At inception, these cross-currency rate swaps were designated as a hedge and are accounted for as net investment hedges. These swaps are contracts in which we receive quarterly fixed-rate interest payments on the U.S. dollar notional amount of $5,000 million through the maturity date of September 30, 2028.

During 2022, we de-designated existing cross-currency rate swap hedges between the Canadian dollar and U.S. dollar with a total notional amount of $5,000 million for hedge accounting. As a result of these de-designations, changes in fair value of these un-designated hedges were recognized in earnings. Concurrently with these de-designations and to offset the changes in fair value recognized in earnings, we entered into off-setting cross-currency rate swaps, with a total notional amount of $5,000 million, that were not designated as a hedge for hedge accounting and as such changes in fair value were recognized in earnings. The balances in AOCI associated with the de-designated cross-currency rate swaps will remain in AOCI and will only be reclassified into earnings if and when the net investment in our Canadian subsidiaries is sold or substantially sold. The entire notional amount of the de-designated cross-currency rate swaps and the off-setting cross-currency rate swaps were cash settled during 2022 for approximately $35 million in net proceeds and included within operating activities in the consolidated statements of cash flows.

At December 31, 2022, we had outstanding cross-currency rate swaps in which we pay quarterly fixed-rate interest payments on the Euro notional amount of €1,108 million and receive quarterly fixed-rate interest payments on the U.S. dollar notional amount of $1,200 million. At inception, these cross-currency rate swaps were designated as a hedge and are accounted for as a net investment hedge. During 2018, we extended the term of the swaps from March 31, 2021 to the maturity date of February 17, 2024. The extension of the term resulted in a re-designation of the hedge and the swaps continue to be accounted for as a net investment hedge. Additionally, at December 31, 2022, we also had outstanding cross-currency rate swaps in which we receive quarterly fixed-rate interest payments on the U.S. dollar notional value of $400 million, entered during 2018, and $500 million, entered during 2019, through the maturity date of February 17, 2024 and $150 million, entered during 2021, through the maturity date of October 31, 2028. At inception, these cross-currency rate swaps were designated as a hedge and are accounted for as a net investment hedge.

The fixed to fixed cross-currency rate swaps hedging Canadian dollar and Euro net investments utilized the forward method of effectiveness assessment prior to March 15, 2018. On March 15, 2018, we de-designated and subsequently re-designated the outstanding fixed to fixed cross-currency rate swaps to prospectively use the spot method of hedge effectiveness assessment. Additionally, as a result of adopting new hedge accounting guidance during 2018, we elected to exclude the interest component (the "Excluded Component") from the accounting hedge without affecting net investment hedge accounting and elected to amortize the Excluded Component over the life of the derivative instrument. The amortization of the Excluded Component is recognized in Interest expense, net in the consolidated statement of operations. The change in fair value that is not related to the Excluded Component is recorded in AOCI and will be reclassified to earnings when the foreign subsidiaries are sold or substantially liquidated.

Foreign Currency Exchange Contracts

We use foreign exchange derivative instruments to manage the impact of foreign exchange fluctuations on U.S. dollar purchases and payments, such as coffee purchases made by our Canadian Tim Hortons operations. At December 31, 2022, we had outstanding forward currency contracts to manage this risk in which we sell Canadian dollars and buy U.S. dollars with a notional value of $197 million with maturities to February 2024. We have designated these instruments as cash flow hedges, and as such, the unrealized changes in market value of effective hedges are recorded in AOCI and are reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

Credit Risk

By entering into derivative contracts, we are exposed to counterparty credit risk. Counterparty credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is in an asset position, the counterparty has a liability to us, which creates credit risk for us. We attempt to minimize this risk by selecting counterparties with investment grade credit ratings and regularly monitoring our market position with each counterparty.

Credit-Risk Related Contingent Features

Our derivative instruments do not contain any credit-risk related contingent features.

Quantitative Disclosures about Derivative Instruments and Fair Value Measurements

The following tables present the required quantitative disclosures for our derivative instruments, including their estimated fair values (all estimated using Level 2 inputs) and their location on our consolidated balance sheets (in millions):

	Gain or (Loss) Recognized in Other Comprehensive Income (Loss)		
	2022	2021	2020
Derivatives designated as cash flow hedges[(1)]			
Interest rate swaps	$ 509	$ 132	$ (333)
Forward-currency contracts	$ 14	$ —	$ (2)
Derivatives designated as net investment hedges			
Cross-currency rate swaps	$ 409	$ 96	$ (302)

(1) We did not exclude any components from the cash flow hedge relationships presented in this table.

	Location of Gain or (Loss) Reclassified from AOCI into Earnings	Gain or (Loss) Reclassified from AOCI into Earnings		
		2022	2021	2020
Derivatives designated as cash flow hedges				
Interest rate swaps	Interest expense, net	$ (54)	$ (125)	$ (102)
Forward-currency contracts	Cost of sales	$ 8	$ (7)	$ 2

	Location of Gain or (Loss) Recognized in Earnings	Gain or (Loss) Recognized in Earnings (Amount Excluded from Effectiveness Testing)		
		2022	2021	2020
Derivatives designated as net investment hedges				
Cross-currency rate swaps	Interest expense, net	$ 56	$ 45	$ 69

	Fair Value as of December 31,		
	2022	2021	Balance Sheet Location
Assets:			
Derivatives designated as cash flow hedges			
Interest rate	$ 280	$ —	Other assets, net
Foreign currency	7	2	Prepaids and other current assets
Derivatives designated as net investment hedges			
Foreign currency	78	23	Other assets, net
Total assets at fair value	$ 365	$ 25	
Liabilities:			
Derivatives designated as cash flow hedges			
Interest rate	$ —	$ 220	Other liabilities, net
Derivatives designated as net investment hedges			
Foreign currency	34	355	Other liabilities, net
Total liabilities at fair value	$ 34	$ 575	

Note 13. Shareholders’ Equity

Special Voting Share

The holders of the Partnership exchangeable units are indirectly entitled to vote in respect of matters on which holders of the common shares of the Company are entitled to vote, including in respect of the election of RBI directors, through a special voting share of the Company (the "Special Voting Share"). The Special Voting Share is held by a trustee, entitling the trustee to that number of votes on matters on which holders of common shares of the Company are entitled to vote equal to the number of Partnership exchangeable units outstanding. The trustee is required to cast such votes in accordance with voting instructions provided by holders of Partnership exchangeable units. At any shareholder meeting of the Company, holders of our common shares vote together as a single class with the Special Voting Share except as otherwise provided by law.

Noncontrolling Interests

We reflect a noncontrolling interest which primarily represents the interests of the holders of Partnership exchangeable units in Partnership that are not held by RBI. The holders of Partnership exchangeable units held an economic interest of approximately 31.8% and 31.9% in Partnership common equity through the ownership of 142,996,640 and 144,993,458 Partnership exchangeable units as of December 31, 2022 and 2021, respectively.

Pursuant to the terms of the partnership agreement, each holder of a Partnership exchangeable unit is entitled to distributions from Partnership in an amount equal to any dividends or distributions that we declare and pay with respect to our common shares. Additionally, each holder of a Partnership exchangeable unit is entitled to vote in respect of matters on which holders of RBI common shares are entitled to vote through our special voting share. A holder of a Partnership exchangeable unit may require Partnership to exchange all or any portion of such holder’s Partnership exchangeable units for our common shares at a ratio of one common share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership, in our sole discretion, to deliver a cash payment in lieu of our common shares. If we elect to make a cash payment in lieu of issuing common shares, the amount of the payment will be the weighted average trading price of the common shares on the New York Stock Exchange for the 20 consecutive trading days ending on the last business day prior to the exchange date.

During 2022, Partnership exchanged 1,996,818 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging 1,996,818 Partnership exchangeable units for the same number of newly issued RBI common shares. During 2021, Partnership exchanged 10,119,880 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by exchanging 10,119,880 Partnership exchangeable units for the same number of newly issued RBI common shares. During 2020, Partnership exchanged 10,393,861 Partnership exchangeable units, pursuant to exchange notices received. In accordance with the terms of the partnership agreement, Partnership satisfied the exchange notices by repurchasing 6,757,692 Partnership exchangeable units for approximately $380 million in cash and exchanging 3,636,169 Partnership exchangeable units for the same number of newly issued RBI common shares. The exchanges represented increases in our ownership interest in Partnership and were accounted for as equity transactions, with no gain or loss recorded in the consolidated statements of operations. Pursuant to the terms of the partnership agreement, upon the exchange of Partnership exchangeable units, each such Partnership exchangeable unit was cancelled concurrently with the exchange.

Share Repurchase

On July 28, 2021, our Board of Directors approved a share repurchase program that allows us to purchase up to $1,000 million of our common shares until August 10, 2023. During 2022, we repurchased and cancelled 6,101,364 common shares for $326 million and during 2021 we repurchased and cancelled 9,247,648 common shares for $551 million and as of December 31, 2022 had $123 million remaining under the authorization.

Accumulated Other Comprehensive Income (Loss)

The following table displays the change in the components of AOCI (in millions):

	Derivatives	Pensions	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balances at December 31, 2019	$ 199	$ (19)	$ (943)	$ (763)
Foreign currency translation adjustment	—	—	332	332
Net change in fair value of derivatives, net of tax	(486)	—	—	(486)
Amounts reclassified to earnings of cash flow hedges, net of tax	73	—	—	73
Pension and post-retirement benefit plans, net of tax	—	(16)	—	(16)
Amounts attributable to noncontrolling interests	145	5	(144)	6
Balances at December 31, 2020	(69)	(30)	(755)	(854)
Foreign currency translation adjustment	—	—	(67)	(67)
Net change in fair value of derivatives, net of tax	207	—	—	207
Amounts reclassified to earnings of cash flow hedges, net of tax	96	—	—	96
Pension and post-retirement benefit plans, net of tax	—	15	—	15
Amounts attributable to noncontrolling interests	(98)	(6)	(3)	(107)
Balances at December 31, 2021	136	(21)	(825)	(710)
Foreign currency translation adjustment	—	—	(703)	(703)
Net change in fair value of derivatives, net of tax	714	—	—	714
Amounts reclassified to earnings of cash flow hedges, net of tax	34	—	—	34
Pension and post-retirement benefit plans, net of tax	—	6	—	6
Amounts attributable to noncontrolling interests	(236)	(2)	218	(20)
Balances at December 31, 2022	$ 648	$ (17)	$ (1,310)	$ (679)

Note 14. Share-based Compensation

Our Amended and Restated 2014 Omnibus Incentive Plan as amended (the "Omnibus Plan") provides for the grant of awards to employees, directors, consultants and other persons who provide services to us and our affiliates. We also have some outstanding awards under legacy plans for BK and TH, which were assumed in connection with the merger and amalgamation of those entities within the RBI group. No new awards may be granted under these legacy BK plans or legacy TH plans.

We are currently issuing awards under the Omnibus Plan and the number of shares available for issuance under such plan as of December 31, 2022 was 3,714,406. The Omnibus Plan permits the grant of several types of awards with respect to our common shares, including stock options, time-vested RSUs, and performance-based RSUs, which may include Company, S&P 500 Index and/or individual performance based-vesting conditions. Under the terms of the Omnibus Plan, RSUs are generally entitled to dividend equivalents, which are not distributed unless the related awards vest. Upon vesting, the amount of the dividend equivalent, which is distributed in additional RSUs, except in the case of RSUs awarded to non-management members of our board of directors, is equal to the equivalent of the aggregate dividends declared on common shares during the period from the date of grant of the award compounded until the date the shares underlying the award are delivered.

Share-based compensation expense is generally classified as general and administrative expenses in the consolidated statements of operations and consists of the following for the periods presented (in millions):

	2022	2021	2020
Total share-based compensation expense - RSUs and Stock options	$ 121	$ 88	$ 74

As of December 31, 2022, total unrecognized compensation cost related to share-based compensation arrangements was $312 million and is expected to be recognized over a weighted-average period of approximately 3.1 years.

Restricted Stock Units

The fair value of the time-vested RSUs and performance-based RSUs is based on the closing price of the Company's common shares on the trading day preceding the date of grant. Time-vested RSUs are expensed over the vesting period. Performance-based RSUs are expensed over the vesting period, based upon the probability that the performance target will be met. We grant fully vested RSUs, with dividend equivalent rights that accrue in cash, to non-employee members of our board of directors in lieu of a cash retainer and committee fees. All such RSUs will settle and common shares of the Company will be issued upon termination of service by the board member.

Starting in 2021, grants of time-vested RSUs generally vest 25% per year on December 31st over four years from the grant date and performance-based RSUs generally cliff vest three years from the grant date (the starting date for the applicable vesting period is referred to as the "Anniversary Date"). Time-vested RSUs and performance-based RSUs awarded prior to 2021 generally cliff vest five years from the original grant date.

During 2022, the Company granted performance-based RSUs that cliff vest three years from the original grant date based on achievement of performance metrics with a multiplier that can increase or decrease the amount vested based on the achievement of contractually defined relative total shareholder return targets with respect to the S&P 500 Index. Performance-based RSUs granted in 2021 cliff vest three years from the original grant date based solely on defined relative total shareholder return targets with respect to the S&P 500 Index. The respective fair value of these performance-based RSU awards was based on a Monte Carlo Simulation valuation model and these market condition awards are expensed over the vesting period regardless of the value that the award recipients ultimately receive.

For grants of time-vested RSUs beginning in 2021, if the employee is terminated for any reason prior to any vesting date, the employee will forfeit all of the RSUs that are unvested at the time of termination. For grants of performance-based RSUs beginning in 2021, if the employee is terminated within the first two years of the Anniversary Date, 100% of the performance-based RSUs will be forfeited. If we terminate the employment of a performance-based RSU holder without cause at least two years after the grant date, or if the employee retires, the employee will become vested in 67% of the performance-based RSUs that are earned based on the performance criteria.

For grants prior to 2021, if the employee is terminated for any reason within the first two years of the Anniversary Date, 100% of the time-vested RSUs granted will be forfeited. If we terminate the employment of a time-vested RSU holder without cause two years after the Anniversary Date, or if the employee retires, the employee will become vested in the number of time-vested RSUs as if the time-vested RSUs vested 20% for each anniversary after the grant date. Also, for grants prior to 2021, if the employee is terminated for any reason within the first three years of the Anniversary Date, 100% of the performance-based RSUs granted will be forfeited. If we terminate the employment of a performance-based RSU holder without cause between three and five years after the Anniversary Date, or if the employee retires, the employee will become vested in 50% of the performance-based RSUs.

An alternate ratable vesting schedule applies to the extent the participant ends employment by reason of death or disability.

Chairman Awards

In connection with the appointment of the Executive Chairman in November 2022, the Company made one-time grants of options, RSUs and performance-based RSUs with specific terms and conditions. The Company granted 2,000,000 options with an exercise price equal to the closing price of RBI common shares on the trading day preceding the date of grant that cliff vest five years from the date of grant and expire after ten years. The Company granted 500,000 RSUs that vest ratably over five years on the anniversary of the grant date. Lastly, the Company granted 750,000 performance-based RSUs that cliff vest five and a half years from the date of grant and may be earned from 50% for threshold performance to 200% for maximum performance, based on meeting performance targets tied to the appreciation of the price of RBI common shares, with none of the award being earned if the threshold is not met. The respective fair value of these performance-based RSU awards was based on a Monte Carlo Simulation valuation model and these market condition awards are expensed over the vesting period regardless of the value that the award recipient ultimately receives.

Restricted Stock Units Activity

The following is a summary of time-vested RSUs and performance-based RSUs activity for the year ended December 31, 2022:

	Time-vested RSUs		Performance-based RSUs	
	Total Number of Shares (in 000's)	Weighted Average Grant Date Fair Value	Total Number of Shares (in 000's)	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2022	2,764	$ 57.47	3,895	$ 62.09
Granted	1,722	$ 57.24	2,693	$ 51.31
Vested and settled	(852)	$ 56.00	(153)	$ 58.31
Dividend equivalents granted	103	$ —	160	$ —
Forfeited	(184)	$ 58.66	(158)	$ 64.78
Outstanding at December 31, 2022	3,553	$ 57.31	6,437	$ 57.43

The weighted-average grant date fair value of time-vested RSUs granted was $60.97 and $65.20 during 2021 and 2020, respectively. The weighted-average grant date fair value of performance-based RSUs granted was $57.60 and $62.69 during 2021 and 2020, respectively. The total fair value, determined as of the date of vesting, of RSUs vested and converted to common shares of the Company during 2022, 2021 and 2020 was $58 million, $99 million and $21 million, respectively.

Stock Options

Stock option awards are granted with an exercise price or market value equal to the closing price of our common shares on the trading day preceding the date of grant. We satisfy stock option exercises through the issuance of authorized but previously unissued common shares. Stock option grants generally cliff vest 5 years from the original grant date, provided the employee is continuously employed by us or one of our affiliates, and the stock options expire 10 years following the grant date. Additionally, if we terminate the employment of a stock option holder without cause prior to the vesting date, or if the employee retires or becomes disabled, the employee will become vested in the number of stock options as if the stock options vested 20% on each anniversary of the grant date. If the employee dies, the employee will become vested in the number of stock options as if the stock options vested 20% on the first anniversary of the grant date, 40% on the second anniversary of the grant date and 100% on the third anniversary of the grant date. If an employee is terminated with cause or resigns before vesting, all stock options are forfeited. If there is an event such as a return of capital or dividend that is determined to be dilutive, the exercise price of the awards will be adjusted accordingly.

The following assumptions were used in the Black-Scholes option-pricing model to determine the fair value of stock option awards granted in 2022 and 2020 at the grant date. There were no significant stock option awards granted in 2021.

	2022	2020
Risk-free interest rate	3.92%	1.29%
Expected term (in years)	7.50	5.88
Expected volatility	30.0%	23.9%
Expected dividend yield	3.24%	3.14%

The risk-free interest rate was based on the U.S. Treasury or Canadian Sovereign bond yield with a remaining term equal to the expected option life assumed at the date of grant. The expected term was calculated based on the analysis of a five-year vesting period coupled with our expectations of exercise activity. Expected volatility was based on the historical and implied equity volatility of the Company. The expected dividend yield is based on the annual dividend yield at the time of grant.

Stock Options Activity

The following is a summary of stock option activity under our plans for the year ended December 31, 2022:

	Total Number of Options (in 000's)	Weighted Average Exercise Price	Aggregate Intrinsic Value (a) (in 000's)	Weighted Average Remaining Contractual Term (Years)
Outstanding at January 1, 2022	6,207	$ 54.80		
Granted	2,018	$ 66.62		
Exercised	(484)	$ 43.42		
Forfeited	(247)	$ 64.83		
Outstanding at December 31, 2022	7,494	$ 58.00	$ 55,682	6.1
Exercisable at December 31, 2022	2,724	$ 46.72	$ 48,953	3.0
Vested or expected to vest at December 31, 2022	7,125	$ 57.75	$ 54,835	6.0

(a) The intrinsic value represents the amount by which the fair value of our stock exceeds the option exercise price at December 31, 2022.

The weighted-average grant date fair value per stock option granted was $17.52, $10.15, and $10.38 during 2022, 2021 and 2020, respectively. The total intrinsic value of stock options exercised was $10 million during 2022, $46 million during 2021, and $55 million during 2020.

Note 15. Revenue Recognition

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the underlying agreement. We may recognize unamortized franchise fees and upfront fees when a contract with a franchisee or master franchisee is modified and is accounted for as a termination of the existing contract. We classify these contract liabilities as Other liabilities, net in our consolidated balance sheets. The following table reflects the change in contract liabilities on a consolidated basis between December 31, 2021 and December 31, 2022 (in millions):

Contract Liabilities	
Balance at December 31, 2021	$ 531
Effect of business combination	8
Recognized during period and included in the contract liability balance at the beginning of the year	(57)
Increase, excluding amounts recognized as revenue during the period	71
Impact of foreign currency translation	(13)
Balance at December 31, 2022	$ 540

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) on a consolidated basis as of December 31, 2022 (in millions):

Contract liabilities expected to be recognized in		
2023	$	52
2024		50
2025		47
2026		44
2027		42
Thereafter		305
Total	$	540

Disaggregation of Total Revenues

The following tables disaggregate revenue by segment (in millions):

	2022				
	TH	**BK**	**PLK**	**FHS**	**Total**
Sales	$ 2,631	$ 70	$ 78	$ 40	$ 2,819
Royalties	320	1,064	287	66	1,737
Property revenues	577	224	12	—	813
Franchise fees and other revenue	28	54	10	19	111
Advertising revenues and other services	267	485	260	13	1,025
Total revenues	$ 3,823	$ 1,897	$ 647	$ 138	$ 6,505

	2021				
	TH	**BK**	**PLK**	**FHS**	**Total**
Sales	$ 2,249	$ 64	$ 64	$ 1	$ 2,378
Royalties	287	1,008	264	2	1,561
Property revenues	556	224	13	—	793
Franchise fees and other revenue	21	60	6	2	89
Advertising revenues and other services	229	457	232	—	918
Total revenues	$ 3,342	$ 1,813	$ 579	$ 5	$ 5,739

	2020				
	TH	**BK**	**PLK**	**FHS**	**Total**
Sales	$ 1,876	$ 64	$ 73	$ —	$ 2,013
Royalties	240	842	245	—	1,327
Property revenues	486	219	13	—	718
Franchise fees and other revenue	19	52	5	—	76
Advertising revenues and other services	189	425	220	—	834
Total revenues	$ 2,810	$ 1,602	$ 556	$ —	$ 4,968

Note 16. Other Operating Expenses (Income), net

Other operating expenses (income), net, consist of the following (in millions):

	2022	2021	2020
Net losses (gains) on disposal of assets, restaurant closures and refranchisings	$ 4	$ 2	$ 6
Litigation settlements and reserves, net	11	81	7
Net losses (gains) on foreign exchange	(4)	(76)	100
Other, net	14	—	(8)
Other operating expenses (income), net	$ 25	$ 7	$ 105

Net losses (gains) on disposal of assets, restaurant closures, and refranchisings represent sales of properties and other costs related to restaurant closures and refranchisings. Gains and losses recognized in the current period may reflect certain costs related to closures and refranchisings that occurred in previous periods.

Litigation settlements and reserves, net primarily reflects accruals and payments made and proceeds received in connection with litigation and arbitration matters and other business disputes.

In early 2022, we entered into negotiations to resolve business disputes that arose during 2021 with counterparties to the master franchise agreements for Burger King and Popeyes in China. Based on these discussions, we paid approximately $100 million in 2022, of which $5 million and $72 million was recorded as Litigation settlements and reserves, net in 2022 and 2021, respectively. The majority of this amount related to Popeyes, resolved our disputes, and allowed us to move forward in the market with a new master franchisee. Additionally, pursuant to this agreement we and our partners have made equity contributions to the Burger King business in China.

Net losses (gains) on foreign exchange is primarily related to revaluation of foreign denominated assets and liabilities, primarily those denominated in Euros and Canadian dollars.

Note 17. Commitments and Contingencies

Letters of Credit

As of December 31, 2022, we had $11 million in irrevocable standby letters of credit outstanding, which were issued primarily to certain insurance carriers to guarantee payments of deductibles for various insurance programs, such as health and commercial liability insurance. Of these letters of credit outstanding, $2 million are secured by the collateral under our Revolving Credit Facility and the remainder are secured by cash collateral. As of December 31, 2022, no amounts had been drawn on any of these irrevocable standby letters of credit.

Purchase Commitments

We have arrangements for information technology and telecommunication services with an aggregate contractual obligation of $23 million over the next two years, some of which have early termination fees. We also enter into commitments to purchase advertising. As of December 31, 2022, these commitments totaled $212 million and run through 2025.

Litigation

From time to time, we are involved in legal proceedings arising in the ordinary course of business relating to matters including, but not limited to, disputes with franchisees, suppliers, employees and customers, as well as disputes over our intellectual property.

On October 5, 2018, a class action complaint was filed against Burger King Worldwide, Inc. (“BKW”) and Burger King Company, successor in interest, (“BKC”) in the U.S. District Court for the Southern District of Florida by Jarvis Arrington, individually and on behalf of all others similarly situated. On October 18, 2018, a second class action complaint was filed against RBI, BKW and BKC in the U.S. District Court for the Southern District of Florida by Monique Michel, individually and on behalf of all others similarly situated. On October 31, 2018, a third class action complaint was filed against BKC and BKW in the U.S. District Court for the Southern District of Florida by Geneva Blanchard and Tiffany Miller, individually and on behalf of all others similarly situated. On November 2, 2018, a fourth class action complaint was filed against RBI, BKW and BKC in the U.S. District Court for the Southern District of Florida by Sandra Munster, individually and on behalf of all others similarly situated. These complaints have been consolidated and allege that the defendants violated Section 1 of the Sherman Act by incorporating an employee no-solicitation and no-hiring clause in the standard form franchise agreement all Burger King franchisees are required to sign. Each plaintiff seeks injunctive relief and damages for himself or herself and other members of the class. On March 24, 2020, the Court granted BKC's motion to dismiss for failure to state a claim and on April 20, 2020 the plaintiffs filed a motion for leave to amend their complaint. On April 27, 2020, BKC filed a motion opposing the motion for leave to amend. The court denied the plaintiffs motion for leave to amend their complaint in August 2020 and the plaintiffs appealed this ruling. In August 2022, the federal appellate court reversed the lower court's decision to dismiss the case and remanded the case to the lower court for further proceedings. While we currently believe these claims are without merit, we are unable to predict the ultimate outcome of this case or estimate the range of possible loss, if any.

On June 30, 2020, a class action complaint was filed against RBI, Partnership and The TDL Group Corp. in the Quebec Superior Court by Steve Holcman, individually and on behalf of all Quebec residents who downloaded the Tim Hortons mobile application. On July 2, 2020, a Notice of Action related to a second class action complaint was filed against RBI, in the Ontario Superior Court by Ashley Sitko and Ashley Cadeau, individually and on behalf of all Canadian residents who downloaded the Tim Hortons mobile application. On August 31, 2020, a notice of claim was filed against RBI in the Supreme Court of British Columbia by Wai Lam Jacky Law on behalf of all persons in Canada who downloaded the Tim Hortons mobile application or the Burger King mobile application. On September 30, 2020, a notice of action was filed against RBI, Partnership, The TDL Group Corp., BKW and Popeyes Louisiana Kitchen, Inc. in the Ontario Superior Court of Justice by William Jung on behalf of a to be determined class. All of the complaints alleged that the defendants violated the plaintiff's privacy rights, the Personal Information Protection and Electronic Documents Act, consumer protection and competition laws or app-based undertakings to users, in each case in connection with the collection of geolocation data through the Tim Hortons mobile application, and in certain cases, the Burger King and Popeyes mobile applications. Each plaintiff sought injunctive relief and monetary damages for himself or herself and other members of the class. The parties have reached a national settlement of all cases, which has been approved by the applicable courts, pursuant to which The TDL Group Corp. is providing each member of the class a voucher for one hot beverage and one baked good and will pay plaintiffs legal fees, in an amount which we believe is immaterial.

On October 26, 2020, City of Warwick Municipal Employees Pension Fund, a purported stockholder of RBI, individually and putatively on behalf of all other stockholders similarly situated, filed a lawsuit in the Supreme Court of the State of New York County of New York naming RBI and certain of our officers, directors and shareholders as defendants alleging violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended, in connection with certain offerings of securities by an affiliate in August and September 2019. The complaint alleges that the shelf registration statement used in connection with such offering contained certain false and/or misleading statements or omissions. The complaint seeks, among other relief, class certification of the lawsuit, unspecified compensatory damages, rescission, pre-judgement and post-judgement interest, costs and expenses. On December 18, 2020 the plaintiffs filed an amended complaint and on February 16, 2021 RBI filed a motion to dismiss the complaint. The plaintiffs filed a brief in opposition to the motion on April 19, 2021 and RBI filed a reply in May 2021. The motion to dismiss was heard in April 2022 and the motion to dismiss was denied in May 2022. On June 6, 2022, we filed an answer to the complaint and on July 8, 2022, we filed an appeal of the denial of the motion to dismiss. On November 10, 2022, the appellate division reversed the trial court and ordered that the complaint be dismissed. Plaintiffs have moved for leave to appeal to the Court of Appeals of the State of New York and we filed an opposition to their motion. The parties are awaiting a decision as to whether the Court of Appeals will accept the appeal. We intend to vigorously defend. While we believe these claims are without merit, we are unable to predict the ultimate outcome of this case or estimate the range of possible loss, if any.

In April 2022, BKC was served with two separate purported class action complaints relating to per- and polyfluoroalkyl ("PFAS") in packaging. Hussain vs. BKC was filed on April 13, 2022 in the U.S. District Court for the Northern District of California, and Cooper v. BKC was filed on April 14, 2022 in the U.S. District Court for the Southern District of Florida. Both complaints alleged that certain food products sold by BKC are not safe for human consumption due to the packaging containing allegedly unsafe PFAS and that consumers were misled by the labelling, marketing and packaging claims asserted by BKC regarding the safety and sustainability of the packaging and sought compensatory, statutory and punitive damages, injunctive relief, corrective action, and attorneys' fees. Hussain voluntarily dismissed the case on August 22, 2022. In June 2022, Cooper voluntarily dismissed the case and then refiled their complaint in state court only on behalf of Florida consumers. We filed a motion to dismiss on October 17, 2022. The plaintiff dismissed the case with prejudice in November 2022 and these matters are closed.

Note 18. Segment Reporting and Geographical Information

As stated in Note 1, *Description of Business and Organization*, we manage four brands. Under the *Tim Hortons* brand, we operate in the donut/coffee/tea category of the quick service segment of the restaurant industry. Under the *Burger King* brand, we operate in the fast food hamburger restaurant category of the quick service segment of the restaurant industry. Under the *Popeyes* brand, we operate in the chicken category of the quick service segment of the restaurant industry. Under the *Firehouse Subs* brand, we operate in the specialty subs category of the quick service segment of the restaurant industry. Our business generates revenue from the following sources: (i) sales, consisting primarily of supply chain sales, which represent sales of products, supplies and restaurant equipment to franchisees, as well as sales to retailers and sales at restaurants owned by us ("Company restaurants"); (ii) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; (iii) property revenues from properties we lease or sublease to franchisees; and (iv) advertising revenues and other services, consisting primarily of advertising fund contributions based on a percentage of sales reported by franchise restaurants. We manage each of our brands as an operating segment and each operating segment represents a reportable segment.

Our management structure and financial reporting is organized around our four brands, including the information regularly reviewed by our Chief Executive Officer, who is our Chief Operating Decision Maker. Therefore, we have four operating segments: (1) TH, which includes all operations of our *Tim Hortons* brand, (2) BK, which includes all operations of our *Burger King* brand, (3) PLK, which includes all operations of our *Popeyes* brand, and (4) FHS, which includes all operations of our *Firehouse Subs* brand. Our four operating segments represent our reportable segments. FHS revenues and segment income for the period from the acquisition date of December 15, 2021 through December 26, 2021 (the fiscal year end for FHS) are included in our consolidated statement of operations for 2021.

The following tables present revenues, by segment and by country, depreciation and amortization, (income) loss from equity method investments, and capital expenditures by segment (in millions):

	2022	2021	2020
Revenues by operating segment:			
TH	$ 3,823	$ 3,342	$ 2,810
BK	1,897	1,813	1,602
PLK	647	579	556
FHS	138	5	—
Total	$ 6,505	$ 5,739	$ 4,968
Revenues by country (a):			
Canada	$ 3,458	$ 3,035	$ 2,546
United States	2,273	2,005	1,889
Other	774	699	533
Total	$ 6,505	$ 5,739	$ 4,968
Depreciation and amortization:			
TH	$ 114	$ 132	$ 119
BK	66	62	62
PLK	8	7	8
FHS	2	—	—
Total	$ 190	$ 201	$ 189
(Income) loss from equity method investments:			
TH	$ (8)	$ (13)	$ (4)
BK	51	17	43
PLK	1	—	—
Total	$ 44	$ 4	$ 39
Capital expenditures:			
TH	$ 30	$ 61	$ 92
BK	63	34	18
PLK	6	11	7
FHS	1	—	—
Total	$ 100	$ 106	$ 117

(a) Only Canada and the United States represented 10% or more of our total revenues in each period presented.

Total assets by segment, and long-lived assets by segment and country are as follows (in millions):

	Assets		Long-Lived Assets	
	As of December 31,		As of December 31,	
	2022	2021	2022	2021
By operating segment:				
TH	$ 13,279	$ 13,995	$ 1,819	$ 1,963
BK	5,007	4,946	1,140	1,137
PLK	2,572	2,563	143	141
FHS	1,098	1,103	12	4
Unallocated	790	639	—	—
Total	$ 22,746	$ 23,246	$ 3,114	$ 3,245
By country:				
Canada			$ 1,531	$ 1,670
United States			1,558	1,556
Other			25	19
Total			$ 3,114	$ 3,245

Long-lived assets include property and equipment, net, finance and operating lease right of use assets, net and net investment in property leased to franchisees. Only Canada and the United States represented 10% or more of our total long-lived assets as of December 31, 2022 and December 31, 2021.

Our measure of segment income is Adjusted EBITDA. Adjusted EBITDA represents earnings (net income or loss) before interest expense, net, loss on early extinguishment of debt, income tax (benefit) expense, and depreciation and amortization, adjusted to exclude (i) the non-cash impact of share-based compensation and non-cash incentive compensation expense, (ii) (income) loss from equity method investments, net of cash distributions received from equity method investments, (iii) other operating expenses (income), net and, (iv) income/expenses from non-recurring projects and non-operating activities. For the periods referenced, income/expenses from non-recurring projects and non-operating activities included (i) non-recurring fees and expense incurred in connection with the Firehouse Acquisition consisting of professional fees, compensation-related expenses and integration costs ("FHS Transaction costs"); and (ii) non-operating costs from professional advisory and consulting services associated with certain transformational corporate restructuring initiatives that rationalize our structure and optimize cash movements, including services related to significant tax reform legislation, regulations and related restructuring initiatives ("Corporate restructuring and tax advisory fees").

Adjusted EBITDA is used by management to measure operating performance of the business, excluding these non-cash and other specifically identified items that management believes are not relevant to management's assessment of our operating performance. A reconciliation of segment income to net income consists of the following (in millions):

	2022	2021	2020
Segment income:			
TH	$ 1,073	$ 997	$ 823
BK	1,007	1,021	823
PLK	242	228	218
FHS	56	2	—
Adjusted EBITDA	2,378	2,248	1,864
Share-based compensation and non-cash incentive compensation expense	136	102	84
FHS Transaction costs	24	18	—
Corporate restructuring and tax advisory fees	46	16	16
Impact of equity method investments (a)	59	25	48
Other operating expenses (income), net	25	7	105
EBITDA	2,088	2,080	1,611
Depreciation and amortization	190	201	189
Income from operations	1,898	1,879	1,422
Interest expense, net	533	505	508
Loss on early extinguishment of debt	—	11	98
Income tax (benefit) expense	(117)	110	66
Net income	$ 1,482	$ 1,253	$ 750

(a) Represents (i) (income) loss from equity method investments and (ii) cash distributions received from our equity method investments. Cash distributions received from our equity method investments are included in segment income.

Note 19. Subsequent Events

Dividends

On January 4, 2023, we paid a cash dividend of $0.54 per common share to common shareholders of record on December 21, 2022. On such date, Partnership also made a distribution in respect of each Partnership exchangeable unit in the amount of $0.54 per exchangeable unit to holders of record on December 21, 2022.

On February 14, 2023, we announced that the board of directors had declared a cash dividend of $0.55 per common share for the first quarter of 2023. The dividend will be paid on April 5, 2023 to common shareholders of record on March 22, 2023. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of $0.55 per Partnership exchangeable unit, and the record date and payment date for distributions on Partnership exchangeable units are the same as the record date and payment date set forth above.

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15e under the Exchange Act) as of December 31, 2022. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date.

Changes in Internal Controls

We have integrated Firehouse Subs into our overall internal control over financial reporting processes.

Internal Control over Financial Reporting

Except as described above, the Company's management, including the CEO and CFO, confirm that there were no changes in the Company's internal control over financial reporting during the fourth quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management's Report on Internal Control Over Financial Reporting and the report of Independent Registered Public Accounting Firm are set forth in Part II, Item 8 of this Form 10-K.

Item 9B. ***Other Information***

Item 5.02 Departure of Directors or Certain Officers; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(e)

Pursuant to RBI's Bonus Swap Program, RBI provides eligible employees, including its named executive officers, or NEOs, the ability to invest 25% or 50% of their net cash bonus into RBI common shares ("Investment Shares") and leverage the investment through the issuance of matching restricted share units ("RSUs"). The matching RSUs vest ratably over four years on December 31 of each year, beginning the year of grant. All of the unvested matching RSUs will be forfeited if an NEO's service (including service on the Board of Directors of RBI) is terminated for any reason (other than death or disability) prior to the date of vesting. If an NEO transfers any Investment Shares before the vesting date, he or she will forfeit 100% of the unvested matching RSUs. All of RBI's eligible NEOs elected to participate in the 2022 Bonus Swap Program at the 50% level. On January 27, 2023, the Compensation Committee of the Board of Directors (the "Compensation Committee") approved the 2023 bonus swap program on substantially the same terms as the 2022 bonus swap program, except the matching RSUs will vest on December 15 of each year, beginning the year of grant.

On January 27, 2023, the Compensation Committee approved the 2023 Annual Bonus Program. For 2023 annual incentive, each of the NEOs will have 25% of the target based on achievement of individual metrics which may be earned from 0% up to 100% and 75% of the target based on a mix of comparable sales achievement, net restaurant growth ("NRG") achievement, and on organic Adjusted EBITDA achievement, each of which may be earned from a threshold of 50% to a maximum of 200%; with the weighting based on the applicable business unit. For corporate roles, the weighting is 15% NRG achievement, 20% comparable sales achievement and 40% organic adjusted EBITDA achievement. Overall, any annual incentive payout will require (1) achievement of the threshold amount of Adjusted EBITDA, (2) that individual achievement must also be earned at no less than 20% and (3) that certain general and administrative expense targets must be met.

On February 13, 2023, in addition to the grant of awards to Mr. Kobza as previously disclosed, the Compensation Committee approved performance based RSUs ("PSUs") discretionary awards to Messrs. Dunnigan, Shear and Curtis, which consist of the following PSUs at target based on the closing price on February 21, 2023: $2,500,000 PSUs for Mr. Dunnigan, $5,000,000 PSUs for Mr. Shear and $3,000,000 PSUs for Mr. Curtis. The performance measure for purposes of determining the number of PSUs earned by each of Messrs. Dunnigan, Shear and Curtis is the relative total shareholder return of RBI shares on the NYSE compared to the S&P 500 for the period from December 31, 2022 to December 31, 2025. The Compensation Committee established a target performance level at the 50th percentile, a performance threshold at or above which 50% of target is earned and below which no shares are earned at the 25th percentile, and a maximum performance level at the 85th percentile at or above which 150% of the target is earned. Amounts earned between threshold and target or target and maximum will be based on linear interpolation. Once earned, the PSUs will cliff vest on February 22, 2026. In addition, if an executive's service to RBI is terminated (other than due to death or disability) prior to February 22, 2025, he or she will forfeit the entire award. A copy of the form of the Performance Award Agreement between RBI and each of the NEOs is filed herewith as Exhibit 10.36(g). This summary is qualified in its entirety to the full text of the form of award agreement.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

None.